

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 3, 1940, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 31, 1940, were approved unanimously.

Mr. Morrill stated that in accordance with the previous discussions which he had had with members of the Board and the authority granted by them, and with the approval of Mr. Paulger, Chief of the Division of Examinations, arrangements had been completed for the transfer of J. C. Noell, Assistant Secretary, to the Division of Examinations as a Federal Reserve Examiner and for the transfer of Fred A. Nelson, Federal Reserve Examiner, to the position of Assistant Secretary in the Secretary's Office, it being understood by all concerned that the transfers would become effective on June 10, 1940, that for the time being there would be no change in Mr. Nelson's salary although it was contemplated that if he showed the anticipated aptitude and progress in his new duties his salary would be increased at an early date, and that Mr. Noell's salary would be determined after further consultation with Mr. Paulger and the members of the Board after it

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was definitely determined whether Mr. Noell would be assigned to the field force of the Division of Examinations.

The transfers were approved unanimously, effective as of June 10, 1940, and Mr. Noell was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other Acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as a Federal Reserve Examiner.

Memorandum dated May 29, 1940, from Mr. Carpenter, Assistant Secretary, recommending that, for the reasons stated in the memorandum, E. T. Mulranen, Chief Telegraph Operator in the Office of the Secretary, who is past 55 years of age, be retired as of August 1, 1940, and that the Board make such special contribution to the Retirement System of the Federal Reserve Banks as may be necessary (\$2,130) to increase Mr. Mulranen's retirement allowance to the rate of \$600 per annum on a life basis.

Approved unanimously.

Memorandum dated May 31, 1940, from Mr. Morrill recommending that, for the reason stated in the memorandum, Bruce C. Bishop be appointed as a page in the Office of the Secretary, with salary at the rate of \$1,080 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Memorandum dated May 29, 1940, from Mr. Paulger, Chief of the Division of Examinations, recommending that, for the reason stated in the memorandum, Mrs. Nancy R. Porter be appointed on a permanent basis as a stenographer in the Division, with salary at the rate of \$1,500 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 24, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Mrs. Thelma L. Hutchison be appointed on a temporary basis for a period of not to exceed three months as a clerk in that Division, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Letter to Mr. John G. Nichols, Chief, Division of Examination, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with your verbal request, the Board of Governors of the Federal Reserve System hereby grants written consent, in accordance with the provisions of sub-section (k) (2) of section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make such examination of the First Citizens Bank and Trust Company of Utica, Utica, New York, as may be required to consummate the rehabilitation program for that bank, plans for which, it is understood, have been completed."

Approved unanimously.

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Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"The Board's letter of March 16, 1939 (S-149) (F.R.L.S. #8212) outlined the general principles agreed upon by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation with respect to the administration of Regulation U as applicable to national banks, State member banks, and nonmember insured banks.

"Subsequently the cooperation of the State Banking Departments was sought in extending the administration of the regulation on a somewhat similar basis to noninsured State banks. The matter was discussed with Mr. William R. White, Superintendent of Banks of New York and Chairman of the Executive Committee, National Association of Supervisors of State Banks. We have now been advised that thus far 44 of the State Bank Supervisors have agreed to cooperate in the administration of Regulation U in accordance with the program outlined by Mr. White in his letter of February 5, 1940 to the members of the National Association of Supervisors of State Banks. The four States which remain to be heard from are Louisiana, Mississippi, New Jersey, and Pennsylvania.

"Enclosed for your information is a copy of Mr. White's letter and it is assumed that the Reserve Banks will cooperate to the fullest extent with the State Banking Departments in this work along the lines indicated. The Board has expressed to Mr. White its appreciation of his good offices and the cooperation shown by the members of the National Association of Supervisors of State Banks. It is suggested that you might wish to express to the heads of the State Banking Departments in your district your own appreciation of their cooperation."

Approved unanimously, together with
a letter to Mr. William R. White, Superintendent of Banks of the State of New York, reading as follows:

"The Board is in receipt of advice from Mr. Gidney, of the Federal Reserve Bank of New York, to the effect that thus far 44 of the State Bank Supervisors have expressed their willingness to cooperate in the administration of Regulation U, in accordance with the program discussed with you by Mr. Paulger, Chief of the Board's Division of Examinations. The Board has asked me to express to you its appreciation of your good offices and the cooperation shown by the members of the National Association of Supervisors of State Banks."

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Memorandum dated June 1, 1940, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the balance of approximately \$6,000,000 of the Netherlands Bank with the Federal Reserve Bank of New York, which is now carried as a balance of the Netherlands Government, be included in the weekly statement of condition of Federal Reserve Banks against the caption "Other deposits" rather than against the present caption "Deposits-Foreign bank". The memorandum stated that it was understood that if and when the proposed change became effective the entire account would be carried by the Federal Reserve Bank of New York instead of being participated with other Federal Reserve Banks as at present.

Approved unanimously.

Letter to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"The Board of Governors has given consideration to the statements submitted by the Federal Advisory Council at the meeting with the Board on May 21, 1940, and has asked me to advise you as follows with respect thereto:

"A review is being made, in the light of recent developments, of the provisions of law which prohibit the assignment of claims on the United States. As soon as this review is completed, the Board will give further consideration to the Council's recommendation (the final form of which has not yet been received by the Board) and advise you of the conclusion reached.

"As you have undoubtedly observed from the press, there is little likelihood that the Jones-Wheeler bill (H.R.8748 and S.3509) will be passed at this session of Congress and in effect there has been substituted therefor a new bill (H.R.9843) which was introduced by Mr. Jones on May 21. Thirteen copies each of an analysis of the new bill and a report on Section 4 of the bill which was sent by the Board to Congressman Jones as Chairman of the House Committee on Agriculture under date of May 23, 1940, are enclosed here-

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"with for the information of the Council. Because of these developments, the Board is taking no action in connection with the statement submitted by the Council on the Jones-Wheeler bill.

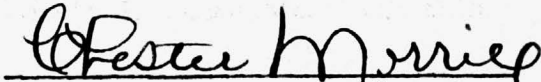
"Inasmuch as Mr. Brown indicated at the meeting on May 21 that the first of the two amendments to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, suggested by the Council might be discussed at the next meeting of the Council, the Board is taking no action with respect thereto. Consideration will be given to the second amendment to Regulation U suggested by the Council, which would permit a bank to take over from a broker an undermargined loan made for the purpose of purchasing or carrying securities, and the Council will be informed of the Board's decision as promptly as possible.

"The attention of the members of the Board has been drawn to the memorandum which you left with me, following the meeting on May 21, in which you stated that the Council withdrew its request that its statement on the subject of easy money be published in the forthcoming issue of the Federal Reserve Bulletin and will reconsider the question of publication at its September meeting by which time it hopes to have from the Board any comments on the statement that the Board may desire to make.

"It is assumed that as soon as the Council has appointed a committee to discuss with the Board the comments and suggestions which the members of the Council wish to make in connection with the Banking Studies prepared by the Board's staff, you will advise us accordingly."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.