

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 13, 1940, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 12, 1940, were approved unanimously.

Telegrams to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McCravey, Assistant Federal Reserve Agent of the Federal Reserve Bank of Atlanta, Messrs. Dillard, Powell, and Leedy, Secretaries of the Federal Reserve Banks of Chicago, Minneapolis, and Kansas City, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on December 10, by the Federal Reserve Bank of Kansas City on December 11, and by the Federal Reserve Banks of New York, Richmond, Atlanta,

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Chicago, Minneapolis, and Dallas on December 12, 1940, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, stating that the Board of Governors approves for the St. Louis Bank, effective as of December 14, 1940, the following rates on industrial advances and commitments under section 13b of the Federal Reserve Act:

"Advances direct to industrial or commercial organizations: $3\frac{1}{2}\%$ to $5\frac{1}{2}\%$.

"Advances to or in participation with financing institutions:

On portion for which institution is obligated: $1\frac{1}{2}\%$ to 2% , depending on classification of paper.

On remaining portion: No charge to financing institution. Federal Reserve Bank will collect interest at rate of loan from borrower.

"Commitments to make advances: 1% . Minimum charge $\frac{1}{4}\%$ flat for ninety days. Rate may be as low as $\frac{1}{4}\%$ per annum when loan is secured by assignment of emergency plant facilities contract with United States Government."

The telegram also stated that the Board approves the establishment by the Bank without change of the other rates of discount and purchase in the Bank's existing schedule, advice of which was contained in Mr. Stewart's telegram of December 12, 1940.

Approved unanimously.

Letter to Mr. J. E. Swan, 61 Broadway, New York, N. Y., reading as follows:

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"The Board has considered your request that it take action permitting foreign branches of American firms to handle business of foreign origin upon a margin of 25 per cent rather than the margin stipulated for general purposes in the Board's Regulation T. As a reason therefor you have pointed out that brokers doing such a business are handicapped in this respect in competing with foreign brokers whose practice it is to do business upon the more liberal margin requirement of 25 per cent.

"In connection with your request it must be kept in mind that foreign branches of American firms often have competitive advantages in other respects which their foreign competitors cannot match, and that the proposed action would, in effect, increase the possibilities of persons in foreign countries having access to American markets on terms more favorable than those available to residents in this country. In addition, opportunities for evasion in the domestic field might be increased and the problem of enforcement made more difficult. In view of these considerations, and on the basis of the facts before the Board favorable to the proposed action, including those presented in your letter of May 31, 1940 and the subsequent conference on September 6, the Board does not feel that the desirability of the action from the competitive standpoint is sufficient in the circumstances to offset the disadvantages which would seem likely to follow."

Approved unanimously.

Memorandum dated December 10, 1940, from Mr. Parry, Chief of the Division of Security Loans, referring to the action taken at the meetings of the Board on February 20, 1936, September 1, 1937, and September 15, 1938, to permit certain classes of member firms of national securities exchanges to file reports on Form F.R. 240 semi-annually instead of monthly, and recommending, for the reasons stated, that the Board permit 47 member firms of the New York Stock

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Exchange which do not carry margin accounts for customers to file their reports semi-annually. The memorandum submitted for approval by the Board drafts of letters to the Presidents of the Federal Reserve Banks of Boston, New York, Richmond, Atlanta, and Chicago, in which districts were located firms which would be affected by the proposed action, asking that the Reserve Banks request from such firms semi-annual reports beginning with reports as of December 31, 1940, and stating that it would not be necessary to obtain any further monthly reports from these firms as long as they do not carry margin accounts for customers.

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks transmitting forms and instructions in connection with the next call for condition reports of State member banks and their affiliates.

Approved unanimously.

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

"We have received a request from Mr. R. L. Mehornay, Deputy Director of Small Business Activities, that his office be furnished with copies of all bulletins and circular memoranda issued by the Federal Reserve Banks to their member and nonmember banks relative to Government contracting in so far as they come within the purview of the Director of Small Business Activities. It will be appreciated if you will comply with the request of Mr. Mehornay. It is suggested that such bulletins

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"and memoranda be addressed to Director of Small Business Activities, Advisory Commission to the Council of National Defense, Washington, D. C., attention: Mr. R. L. Mehornay.

"It is assumed that you are now sending to the Board the usual number of copies of all such bulletins and memoranda."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morrie
Secretary.

Approved:

W. S. Scales
Chairman.