

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 4, 1941, at 11:30 a.m.

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

Mr. Morrill, 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:

Memorandum from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of George Terborgh as a senior economist in that Division, to become effective as of the close of business on July 15, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted with regret.

Memorandum dated June 3, 1941, from Mr. Smead, Chief of the Division of Bank Operations, recommending, with the concurrence of Mr. Goldenweiser, Director of the Division of Research and Statistics, (1) that Thomas M. Parsons, Junior Economist in the Division of Research and Statistics, be transferred to the Division of Bank Operations, with salary at the rate of \$3,200 per annum; and (2) that, subject to her passing satisfactorily the usual physical examination, Mildred C. Milles, a temporary clerk in the Division of Research and Statistics, be transferred on a permanent basis to the Division of

6/4/41

-2-

Bank Operations as a clerk with salary at the rate of \$1,500 per annum. The memorandum also stated that if the Board approved the transfer of Mr. Parsons and Miss Milles arrangements would be made to transfer from the Division of Research and Statistics a large part of such of its activities as deal with bank earnings and the banking structure, that this work has been done in the past in close cooperation with the Division of Bank Operations, which handles reports of and compiles general statistical data on bank earnings and the banking structure, and that the proposed transfer would consolidate these activities in one Division.

Approved unanimously, effective as of the respective dates upon which Mr. Parsons and Miss Milles enter upon the performance of their new duties.

Telegram to Randolph Paul, New York, New York, reading as follows:

"Board of Governors of Federal Reserve System has appointed you as Class C director of Federal Reserve Bank of New York for unexpired portion of term ending December 31, 1943, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. Ruml, Chairman of the Federal Reserve Bank of New York, reading as follows:

"Mr. Szymczak has brought to the attention of the Board your letter of June 3, Mr. Neely's letter of June 2 addressed to you, of which copies appear to have been sent to Mr. Allan Sproul, Mr. Balderston and Mr. Szymczak, and the memorandum attached to Mr. Neely's letter regarding

6/4/41

-3-

"the study to be made under the direction of Mr. Balderston of a career system for the Federal Reserve Banks.

"The Board has requested me to advise you that the expenditure of not more than \$12,000, of which each Federal Reserve Bank is to bear one-twelfth, is approved by the Board for the purposes outlined in the correspondence referred to above."

Approved unanimously.

Letter to Mr. Preston, First Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago and the Detroit Branch as requested in your letter of May 29, 1941."

Approved unanimously.

Letter to the board of directors of the "Puritan Bank and Trust Company", Meriden, Connecticut, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston:

"7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$12,525.25 as shown in the report of examination of such bank as of April 14, 1941, made by an examiner for the Federal Reserve Bank of Boston."

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors of the Federal Reserve System

6/4/41

-4-

"approves the application of the 'Puritan Bank and Trust Company', Meriden, Connecticut, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Connecticut for his information.

"It will be noted that the Board is prescribing a condition of membership to require the elimination of all estimated losses, including \$10,025.25 depreciation in stocks, prior to the bank's admission to membership. This is in accordance with the Board's established policy in this connection and is in keeping with the Uniform Agreement. As you know, on May 15 Mr. Paulger, Chief of the Board's Division of Examinations, discussed this matter over the telephone with Mr. Paddock, at which time the reasons for the Board's policy and for the suggestion of your Membership Committee that the bank be allowed a reasonable time in which to eliminate the depreciation in stocks, were reviewed. The Board has given careful consideration to the circumstances referred to by Mr. Paddock, but does not believe that it would be justified in making an exception to the established policy in this case."

Memorandum dated June 2, 1941, from Mr. Parry, Chief of the Division of Security Loans, reading as follows:

"Members of the Board will recall that during the last six or eight months the SEC staff has been holding a series of conferences with representatives of the securities industry for the purpose of assembling and discussing proposals for amending the Securities Act of 1933 and the Securities Exchange Act of 1934. Also that in some of these conferences the Board has been represented by myself and other members of the Board's staff.

"Four proposals were brought forward for amending the provisions of the Securities Exchange Act that are administered by the Board. Those advanced by us (see documents attached), of which there were two, met with the approval of both the Commission and the representatives of the industry. Those advanced by representatives

6/4/41

-5-

"of the industry, of which there were also two, related to matters as to which the Commission has certain responsibilities of its own and were disapproved by the Commission.

"The Commission is now putting into finished form a report to the Committee on Interstate and Foreign Commerce in which the Commission will cover all these proposals and -- if the Board approves -- will state that those coming from us have the approval of both the Commission and representatives of the industry.

"I have been informally requested to advise representatives of the Commission of the views of the Board concerning the two proposals presented by the staff.

"One of the two proposals put forward by us, and approved by the Commission and representatives of the industry, would amend section 7(c) of the Act to authorize the Board to permit a broker or dealer, 'where such permission is consistent with the purposes of this section and necessary or appropriate in the public interest', to make certain extensions of credit without collateral or on unregistered securities that are now forbidden by a blanket provision in the statute. The other proposal, also approved both by the Commission and by representatives of the industry, would amend section 7(d) in two respects. First, by giving the Board more discretion, it would clarify and simplify the provisions relating to the Board's authority to regulate extensions of credit by persons other than brokers or dealers (particularly by banks). Secondly, it would authorize the Board to make its regulations concerning extensions of credit by such persons applicable to unregistered as well as registered securities.

"If the Board approves the proposals advanced by the staff, it is suggested that the Board authorize me to work out with representatives of the Commission the language to be incorporated in the report which will indicate the views of the Board on these proposals."

The two proposals advanced by the staff were approved and, in accordance with the suggestion contained in the last paragraph of Mr. Parry's memorandum, he was authorized to work out with the representatives of the Securities and Exchange Commission the language, to be incorporated in the Commission's report, which would indicate the views of the Board on these proposals.

6/4/41

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Harold Ransom
Vice Chairman.