

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 28, 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 dated August 25, 1941, from Mr. Wyatt, General Counsel, recommending that, because of approaching confinement, Mrs. Edna B. Boiseau, a stenographer in the Office of General Counsel, be granted leave of absence without pay November 12, 1941, to February 9, 1942, inclusive, and that during her absence the Board continue to make its contributions to the Retirement System on her behalf with the understanding that she will continue her own contributions during the period.

Approved unanimously.

Telegram to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"Effective immediately, Board of Governors approves appointment of H. G. Leedy as President and Henry O. Koppang as First Vice President of Federal Reserve Bank of Kansas City for unexpired portion of five-year term ending February 28, 1946, and salaries fixed by your directors for them in new positions at rates of \$18,000 and \$13,500 per annum, respectively. Board also approves,

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"effective immediately, designation of D. W. Woolley as Vice President to have supervision of examination department and salary fixed by your directors for him in new position at rate of \$7,500 per annum.

Approved unanimously.

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

"Reg. W-5. An inquiry which may be stated as follows has been received under Regulation W:

'Pursuant to an established bona fide business practice a finance company issues and sells notes which are secured by instalment sales obligations trusted under a collateral trust agreement. It is not feasible for a purchaser of the collateral trust notes to examine the underlying obligations held by the trustee. Suppose one of the underlying instalment obligations failed to comply with the requirements of Regulation W and such noncompliance, although unknown to the purchaser of the collateral trust notes, showed on the face of the underlying instalment obligation. Would the purchase of the collateral trust note in such a case, or the receipt of payments on the note, constitute a violation of Regulation W?'

"The regulation does not apply to the purchaser unless he is a person required by section 3(a)(1) to be licensed. If he is such a person, the payments received, according to the question as stated, arise out of the collateral trust note rather than the underlying obligation and under section 9(e) the regulation does not apply to such payments.

"Even if the transaction were such that the payments arose out of the underlying obligation rather than the collateral trust note the receipt of payments by the registrant purchasing the note secured by such underlying obligation would not be contrary to the regulation if when he made the purchase the underlying obligation did not on its face show some noncompliance or if he did not at that time know some fact by reason of which the extension of credit on which the underlying obligation was based failed to comply with

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"the regulation. In this connection it will be noted that while 4(f) requires that extension of instalment sale credit be evidenced in the prescribed manner, this does not require that the obligation or claim referred to in section 3(a)(2)(B) shall contain all the prescribed information, since under section 4(f) the evidence of the underlying transaction which must contain the necessary information, or have such information attached, may be a separate instrument or record and need not be the same as the obligation or claim referred to in section 3(a)(2)(B)."

Approved unanimously.

Telegram to all Federal Reserve Banks reading as follows:

"Reg. W-6. The classification mechanical refrigerators includes frozen food cabinets of the specified capacity but does not include milk coolers, assuming that they are not designed for household use."

Approved unanimously.

Telegram to all Federal Reserve Banks reading as follows:

"Reg. W-7. Tumbler clothes driers are not included in any of the classifications of listed articles."

Approved unanimously.

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

"Reg. W-8. In connection with section 9(d) of Regulation W exempting contracts made before September 1, questions have been received as to whether orders received through the mail by a mail order company come within the exemption if the orders are postmarked prior to September 1 but in the usual course of business are not filled until after that date. The standing practice of the company has been to fill all such mail orders according to the terms of the catalog, subject only to the right of the company to refuse to fill the order for certain specified reasons such as unsatisfactory credit standing of the customer.

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"If such orders are received in good faith pursuant to an outstanding catalog and without personal solicitation, it is the view of the Board that those postmarked before September 1 may be deemed to be exempted under section 9(d) even though in the usual course of business they are not filled until after that date."

Approved unanimously.

Letter to Mr. Earhart, Cashier of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of August 25, 1941 regarding the recent amendment to the 'Memorandum of Procedure Adopted by the Presidents' Committee for Uniform Treatment of Employees of the Federal Reserve Banks who may be called for Military Service', and inquiring whether the payment of one month's unearned salary or such portion thereof as he may be entitled to under the original procedure may be made to employees voluntarily entering the military or naval service with the intention of not remaining in such service beyond the termination of the national emergency.

"In adopting the amended procedure for employees entering military service, it was contemplated that the same benefits, including the payment of unearned compensation, would be accorded all employees covered under the second paragraph of the memorandum of procedure, including those coming under Clause D.

"As you have indicated, there may be cases where employees may not return to work for the bank, even though they fully intended to do so at the time of leaving for military service; however, it is believed that, subject to the discretion of each bank, such contingency should not exclude an employee from receiving the benefits at the time of leaving for military service."

Approved unanimously.

Letter to Mr. Donald S. Thompson, Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation, reading as follows:

"Referring to your letter of August 25, there is

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"no objection to your using the call report data for State bank members of the Federal Reserve System as of June 30, 1941, in the statement for the press on the condition of all insured commercial banks which you plan to release on or about September 2."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

Frank J. Johnson  
Vice Chairman.