A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 29, 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 herein-after referred to was taken by the Board:

Telegrams to Messrs. Sanford, Post, and Hays, Secretaries of the Federal Reserve Banks of New York, Philadelphia, and Cleveland, respectively, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, Messrs. Dillard, Stewart, and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and Minneapolis, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, 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 Banks of St. Louis and San Francisco on August 26, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Kansas City on August 28, 1941, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

It was suggested that, in accordance with the established procedure of assignments to individual members of the Board of various
subjects for primary attention, Mr. Szymczak be designated as Mr. Ransom's alternate in connection with matters relating to consumer credit requiring attention or action by the Board.

Approved unanimously.

Letter to Mr. Mehornay, Office of Production Management, reading as follows:

"Governor Draper has asked me to respond on behalf of the Board to your letter of August 28 in regard to your invitation to Mr. Milford to join the Defense Contract Service.

"Mr. Milford is a highly valued officer of the Federal Reserve Bank whose services have become increasingly important in carrying out responsibilities which have developed in connection with the defense program. The Federal Reserve Bank, however, desires to cooperate with you and has very kindly granted Mr. Milford leave of absence for a period up to three months to enable him to serve in the desired capacity, with the understanding that the arrangement will be reconsidered before the expiration of that period, if either you or the Bank wish to do so. The Bank would like to have Mr. Milford divide his time between your service and that of the Baltimore Branch if this can be done without hindrance to the success of your undertaking, and it is understood that you are agreeable to this kind of cooperation.

"The Board of Governors has asked me to advise you that it has been glad to cooperate with you by giving its approval to this arrangement."

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

"With regard to Governor Draper's telephone conversation with you and my subsequent telephone conversation with Mr. Walden, you will find enclosed a copy of a letter of August 28 from Mr. R. L. Mehornay to Mr. Milford, a copy of Mr. Mehornay's covering letter of August 28 to Governor Draper, and a copy of our reply of this date to Mr. Mehornay."
"It is understood that the Federal Reserve Bank of Richmond is granting Mr. Milford leave of absence, with pay, for the purpose stated in the correspondence and the Board approves this action of the Federal Reserve Bank of Richmond."

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of your Bank as requested in your letter of August 25, 1941."

Approved unanimously.

Letter to the board of directors of "The State Bank of Salem", Salem, Indiana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 St. Louis.

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to the board of directors of the "Bank of Lincoln County", Elsberry, Missouri, stating that, subject to conditions of membership numbered 1 to 3 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 St. Louis:

"4. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of not less than $25,000."
Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to Mr. Palmer, Coordinator of the Division of Defense Housing Coordination, Office for Emergency Management, Executive Office of the President, reading as follows:

"Referring to your letter of August 26, 1941, regarding the procedure and forms to be used in connection with the designation of 'defense housing' by the Defense Housing Coordinator for the purposes of section 6(e)(2) of the Board's Regulation W, I am pleased to advise you that the procedure and forms indicated in the attachments to your letter will be entirely agreeable to the Board.

"The Board, and the Federal Reserve Banks and branches, will be glad to be of all possible assistance in facilitating public information with respect to these procedures."

Approved unanimously.

Telegram to all Federal Reserve Banks reading as follows:

"Reg. W-9. The classification household furniture includes lamps designed for household use."

Approved unanimously.

Telegram to all Federal Reserve Banks reading as follows:

"Reg. W-11. Question has been raised as to effect of September 1 holiday upon the effective date of Regulation W. Fact that this is holiday does not alter effective date of regulation, which becomes effective at beginning of business on September 1."

Approved unanimously.

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

"Under separate cover, we are sending you ten copies of the volume entitled Banking Studies, just published."
"Upon request, we shall be glad to send you additional copies without charge for the use of members of your staff.

"It is our plan to furnish copies of the volume free, upon request, to members of the staff of the Federal Reserve Banks, to Members of Congress and Government Departments, to State Banking Departments, to libraries and educational institutions, to foreign central banks and governments, and to the press.

"For the most part, however, it is planned to sell the volume rather than distribute it free. The price will be $1.50 for single copies and 75 cents a copy in quantities of ten or more.

"As in the case of the Chart Books, it is the intention to make a charge to member banks for copies ordered by them; but should you wish to distribute copies to some of your member banks at your own expense, it is not considered that this would be in conflict with the Board's policy."

Approved unanimously.

Memorandum dated August 28, 1941, from Mr. Baumann, Assistant Counsel, reading as follows:

"In conversations with Mr. Pollard and me on Tuesday, Mr. Milford Zimmerman, of the Department of Justice, inquired concerning the possibility of obtaining from the Board information concerning silver owned on March 2, 1934, or sometime within a few months thereafter, by Wells Fargo Bank and Union Trust Company, San Francisco, a State member bank. The information is desired in connection with a law suit between the Government and an individual which relates to a Federal tax on silver transfers. The bank is not a party to the suit but comes into the picture because the amount of the tax turns on the question whether on March 2, 1934, the taxpayer sold certain silver to the bank and contracted to purchase other silver, it being the Government's position that there was no sale. Investigators report an apparent desire on the part of the bank to aid the taxpayer, a customer of the bank.

"The Board has in its files reports of condition of the bank as of March 5 and June 30, 1934, and a report of
"examination as of May 1, 1934. These reports contain no reference to silver bullion owned by the bank. Since the Department of Justice wishes to prove that there was no sale to the bank, this presumably is the information it is seeking. However, there is other information in these reports and a subsequent report of examination which might have some bearing on silver transactions of the bank and perhaps would aid in the investigation, although not to prove the Government's case.

"The Board can legally furnish the information to the Department of Justice and it has been the policy to furnish information to it when requested in connection with criminal prosecutions. There is greater question as to whether such confidential information should be furnished for use in civil actions, particularly where it appears that the member bank might object to such action. However, it is believed that, within certain limits at least, the Board should cooperate with the Department of Justice in matters in which the Government has an interest.

"The Department of Justice seldom requests information in connection with civil actions. However, in one instance, in 1936, there was a formal request by the Attorney General to inspect certain reports of examinations. The matter was disposed of informally, the pertinent information being given to a representative of the Department of Justice with the understanding that it would be treated as strictly confidential and that its source would not be revealed, the purpose being solely to assist in the investigation.

"With the Board's permission, I will attempt to dispose of this matter in the same manner. With respect to a suggestion Mr. Zimmerman made to the effect that he might wish to inspect examiners' work sheets or other documents at the Federal Reserve Bank of San Francisco, I will advise him that, if permission to do so is requested, it will be necessary first to ascertain what information is available and that, if any is furnished, it will be on the same basis as that in the Board's files."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Secretary.

Vice Chairman.