

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 12, 1941, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
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 herein-after referred to was taken by the Board:

Telegrams to Messrs. Sanford and Hays, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Thomas, Deputy Chairman of the Federal Reserve Bank of Kansas City, 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 Kansas City on September 8, by the Federal Reserve Bank of San Francisco on September 10, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on September 11, 1941, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum dated September 10, 1941, from Mr. Wyatt, General Counsel, recommending that Miss Amy L. Downing be appointed as a stenographer in the Office of General Counsel, with salary at the rate of \$1,680 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 September 9, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Robert W. Bean be appointed on a temporary basis for a period of not to exceed one year as an economic assistant in the Division of Research and Statistics, with salary at the rate of \$2,400 per annum, effective as of the date upon which he enters upon the performance of his duties after passing satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of September 8, the Board approves the designations of J. E. Denmark as a special examiner and Vestus L. Crow, Robert R. Andrews and D. E. Plaster as special assistant examiners, with the understanding of course that none of the individuals named will be transferred permanently to examination work without the Board's approval.

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"With the deletion of the three names listed in your letter, our records agree with yours as to the individuals in your bank who have been approved as special examiners or special assistant examiners."

Approved unanimously.

Letter to Mr. Bailey, Assistant Director in Charge of Legislative Reference of the Bureau of the Budget, prepared in accordance with the action taken at the meeting on September 9, 1941, and reading as follows:

"Receipt is acknowledged of your letter of August 27, 1941, addressed to Chairman Eccles, with which you enclosed a copy of a report relating to the price control bill (S. 1810) submitted to your Bureau in accordance with established procedure by the Secretary of Commerce prior to its transmission to the Chairman of the Senate Committee on Banking and Currency. Your letter states that before replying to the Secretary of Commerce the Bureau of the Budget would appreciate receiving an expression of the Board's views regarding the enactment of the proposed legislation.

"As you may know, Chairman Eccles has been requested to testify before the House Committee on Banking and Currency on this legislation. A recess has been taken by the Committee and Chairman Eccles is absent from the city at this time. In these circumstances, the Board would prefer not to undertake the preparation of a report during the interim. It is realized, however, that you may wish to advise the Secretary of Commerce with respect to his proposed report without waiting for an expression of the Board's views and, therefore, the Board has requested me to advise you that it has no objection to offer at this time to the Department of Commerce report."

Approved unanimously.

Letter to Mr. Mercer, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

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"In accordance with the recommendation contained in your letter of September 10, the Board extends to October 13, 1941, the time within which The Munsey Trust Company, Washington, D. C., may accomplish membership in the System."

Approved unanimously.

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

"In accordance with the recommendation contained in your letter of September 4, 1941, the Board interposes no objection, under the provisions of the bank's condition of membership numbered 1, to the exercise of commercial banking powers by The Merchants and Mechanics Bank of Flint, Michigan, which institution at the time of its admission to membership in the System, was not engaged in that type of business. The Board's action is with the understanding that the proposed conversion into a commercial bank receives the formal approval of the appropriate State authorities and that your counsel is satisfied with the legal aspects involved."

Approved unanimously.

Telegram to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter September 8, Federal Reserve Bank of San Francisco is authorized to exercise such powers under Regulation T as are given to business conduct committees under section 4(c) in respect to exceptional cases specified in that subsection. Bank is authorized to act in any case involving any creditor having a place of business in the twelfth Federal Reserve district. Aggregate of periods referred to in clause 6 of section 4(c) may exceed 35 days."

Approved unanimously.

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

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"Reg. W-56. Inquiry has been received whether section 4(c) prohibits sale of automobile with first monthly instalment of \$65 and remaining 17 monthly instalments of \$23.

"Section 4(c) is worded in the alternative, and instalments must either be substantially equal in amount or 'be so arranged that no instalment is substantially greater in amount than any preceding instalment'. Therefore answer to inquiry is negative."

Approved unanimously.

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

"Reg. W-57. A question has been received regarding the application of Regulation W to a case in which an automobile salesman sells his demonstrator. The question also relates to the purchase of the resulting obligation by the dealer-employer of the salesman.

"The dealer-employer in such a case, who presumably is a Registrant as described in section 3 and also familiar with the particular transaction, may not in any event purchase the obligation unless it complies with the requirements of section 4. This is true because no Registrant may knowingly purchase any instalment sale obligation which fails to comply with section 4, regardless of who made the original extension of credit.

"The regulation does not apply to an isolated extension of credit by a person who is not 'engaged in the business' as described in section 3(a). However, it is important to note that, whatever the form in which the arrangement may be set up, an automobile salesman's financial interest in his demonstrator may represent a relationship that is substantially different from that of the ordinary automobile ownership. It may have the formal appearance of a purchase of the automobile by the salesman, when actually the demonstrator is in effect the property of the dealer-employer rather than the salesman. In such a case the sale of the demonstrator by the salesman should, for the purposes of the regulation, be treated like any other sale made by the salesman, i.e. as a sale made by him as agent for the dealer-employer, and hence should comply with the requirements of section 4 regardless

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"of whether the obligation is purchased by the dealer-employer."

Approved unanimously.

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

"Reg. W-58. In view of provisions of section 3(a)(2)(B), bank which discounts an obligation which is subject to the Regulation is not obliged to ascertain whether the original lender is a duly licensed Registrant."

Approved unanimously.

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

"The classification 'pianos and household electric organs' includes the Solovox manufactured by the Hammond Instrument Company, Chicago, Illinois.

"In as much as this wire relates to a trade name product it is not being given a W number and will not be published in Federal Reserve Bulletin."

Approved unanimously.

Telegram to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your telegram September 10 re extension of credit originally made with proper down payment and for repayment within 12 months, which obligor wishes to refinance elsewhere for repayment within 18 months from original date. Such refinancing permissible under Regulation either before or after November 1 without statement of necessity since the additional 6 months would have been permissible in the first instance."

Approved unanimously.

Telegram to Mr. Stroud, First Vice President of the Federal

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Reserve Bank of Dallas, reading as follows:

"Re your telegram inquiring as to application of Regulation W to loan by small loan company which is payable in thirty days but will be renewed at maturity upon payment of interest. Assuming there is no agreement or understanding that renewal will be accompanied by reduction of principal, principle of Board's ruling W-39 appears to be applicable, and loan would not violate present Regulation W. See, however, W-47."

Approved unanimously.

Telegram dated September 9, 1941, from Mr. Hodge, Assistant Counsel of the Federal Reserve Bank of San Francisco, inquiring as to the correctness of the opinion that, in connection with the application of the provisions of Regulation W, if a registrant takes every reasonable means, but not necessarily legal action, to effect collection under section 8(a)(2), this requirement of the Regulation would be met.

The Secretary was requested to advise Mr. Hodge that the Board agrees with the opinion.

Memorandum dated September 10, 1941, from Mr. Parry, Chief of the Division of Security Loans, recommending that the Board reimburse Mr. M. I. Behrens of Ludwig Baumann, New York, New York, for expenses incurred by him in connection with the trip which he made to Washington on September 2, 1941, at the Board's request, to discuss certain aspects of Regulation W.

Approved unanimously.

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Letter to Mr. LaGuardia, United States Director of Civilian Defense of the Office of Civilian Defense, reading as follows:

"Your letter of September 5 to Chairman Eccles, in which you ask that we designate some responsible person from the Board's organization as a member of a committee to meet with Brigadier General L. D. Gasser, U. S. Army retired, to consider matters relating to the protection of vital structures and formulate a feasible and acceptable plan of procedure, has had the careful consideration of our Board.

"It is not clear from your letter, particularly the first paragraph thereof, that the Board of Governors is in a position to render any worth while assistance in solving the problems to be explored by such a committee. Accordingly, the Board doubts whether it would be appropriate for it to designate a representative to serve on such a committee. However, the Board is desirous of cooperating with your office in every way possible and will be glad to have your office contact Mr. E. L. Smead, Chief of the Board's Division of Bank Operations, for further information regarding the Federal Reserve System and the protection of buildings housing the Board and Federal Reserve Banks and Branches.

"In this connection, I may point out that the Board has its own building here in Washington and that there are thirty-six Federal Reserve Banks and Branches throughout the various sections of the country, most of which have buildings of their own. The System is vitally interested in seeing that all necessary steps are taken to provide adequate protection for these buildings. As an example of one of our problems, the Federal Reserve Bank of New York holds in its vault billions of dollars of gold, currency and securities for itself, for the United States Treasury and other Governmental agencies, and for foreign governments and central banks. It is important that the utmost precautions be taken to protect these valuables and the Board hopes that through your committee expert advice may be had in due course with respect to the adequacy of our present protective measures."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

Frank Ransom
Vice Chairman.