

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 30, 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 hereinafter referred to was taken by the Board:

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

"This refers to your letter of September 24, 1941 in connection with the Board's letter of September 6, 1941 (S-312), relating to salaries of officers of the Federal Reserve Banks.

"You are correct in your assumption that the first paragraph on page two of the Board's letter will not require a change in your present practice with respect to reassignments of managers during the year provided the basic title 'manager' remains unchanged.

"Referring to the last paragraph of your letter, the Board agrees that reassignments among officers from time to time are desirable and that the chief executive should have authority to make such reassignments. As pointed out in its letter of September 6, the Board would, however, appreciate receiving current advice of any major changes in the duties of an officer which do not involve a change in either title or salary."

Approved unanimously.

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Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to correspondence between Gardner and Bryan, Board will appreciate your making Frazer available for week or ten days for Cuban mission arriving Havana October 7, it being understood that your Bank would pay his salary during period of his absence and that Board would reimburse your Bank for his travel and subsistence expenses on same basis as allowed for members of Board's staff going to Cuba. If arrangement is agreeable to you, Gardner will communicate further with Frazer."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plans of your Bank and Branches as requested in your letters of September 24, 1941."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of your Bank and Branches as requested in your letter of September 18, 1941, with the exception of the proposed increases in the maximum salaries for the positions of Chief Engineer at the Head Office and the Los Angeles Branch, on which action has been deferred. Pending further consideration of this matter it is suggested that, if you wish to pay the persons occupying these positions salaries in excess of the present maximums, you submit a request to the Board for authority to pay such salaries as you think appropriate in the circumstances."

Approved unanimously.

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Letter to the board of directors of the "Rensselaer County Bank and Trust Company", Rensselaer, New York, stating that, subject to conditions of membership numbered 1 to 6 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 New York.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Rensselaer County Bank and Trust Company', Rensselaer, New York, 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 Superintendent of Banks for the State of New York for his information.

"Since the estimated losses classified in the report of examination for membership are reported to have been covered by a valuation reserve during the examination, the usual condition regarding the elimination of losses has not been prescribed.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future, if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice in so far as the condition applies to funds which are given statutory preference in the State of New York."

Letter to the board of directors of "The Parker Banking Company", Parker, Indiana, stating that, subject to conditions of

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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 Chicago.

The letter also contained the following special comment:

"It appears that the bank possesses authority to exercise fiduciary powers and has exercised such powers in the past, although it was not doing so when it filed its application and was examined for membership. Attention is invited to the fact that if the bank desires to exercise any powers, including fiduciary powers, not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letter to the board of directors of the "Home State Bank, Horton, Kansas", Horton, Kansas, 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 Kansas City.

"4. At the time of its admission to membership, such bank shall have a paid-up and unimpaired capital

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"stock of not less than \$30,000 and a surplus of not less than \$15,000; and, with due allowance for changes arising from the ordinary course of business, such bank shall have assets and liabilities substantially the same in amount and character as The First National Bank of Horton after the contemplated retirement of preferred stock and the proposed charge-offs and write-downs as reflected in the pro-forma statement on page 3(a) of the report of examination of the national bank as of August 30, 1941, made in connection with the application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Home State Bank, Horton, Kansas', Horton, Kansas, a State institution organized to succeed The First National Bank of Horton, for stock in the Federal Reserve Bank of Kansas City, effective if and when the successor bank is duly authorized to commence business by the appropriate State authorities and is entitled to the benefits of insurance under Section 12B of the Federal Reserve Act, 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 Kansas for his information.

"As you know, the new bank is not eligible for membership in the System unless it is entitled to the benefits of deposit insurance. The Board has received a copy of a letter dated September 24, 1941, from the Federal Deposit Insurance Corporation, a copy of which is enclosed, setting forth the conditions upon which the State Bank has been approved for deposit insurance. We will advise you promptly upon receipt of advice from the Federal Deposit Insurance Corporation that such conditions have been complied with and arrangements may then be made for completion of the bank's admission to membership.

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"Before issuing stock in the Federal Reserve Bank of Kansas City to the new State institution, you are requested to satisfy yourself that its capital stock of \$30,000 has been paid in, that it has been duly authorized to commence business, and that all agreements and contracts entered into between it and The First National Bank of Horton covering the purchase of assets from, and the assumption of liabilities of, that bank and any and all other agreements and contracts between such bank and the stockholders and/or directors or other individuals or concerns, incident to the organization of the new State institution, have been considered by your counsel and that he is satisfied as to their legal aspects. It is requested that a copy of the opinion of your counsel given in this connection, together with copies of any such agreements or contracts, and the certificate of authority to commence business, be forwarded to the Board as soon as possible."

Letter to the board of directors of "The First State Bank", Norton, Kansas, 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 Kansas City.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The First State Bank', Norton, Kansas, 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 Kansas for his information.

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"The memorandum accompanying the application for membership states that in 1927 The First State Bank and the Farmers State Bank were merged and continued operations under the name of The First State Bank but no further information as to the nature and effect of the transaction has been furnished. It is assumed that this matter was considered by your counsel, and the application has been approved with the understanding that the merger had no effect on the corporate existence or powers of The First State Bank."

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

"Reg. W-85. The classification 'Heating stoves and space heaters designed for household use' does not include gas heating units designed to be suspended from the ceiling and operated with a fan circulator."

Approved unanimously.

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

"Reg. W-86. The classification 'mechanical refrigerators' includes certain refrigerating systems consisting of (1) one or more cabinets of which each has less than 12 cubic feet rated capacity, and (2) a separate mechanical refrigeration unit servicing these cabinets. This is true even though the aggregate capacity of the cabinets included in the system may be 12 cubic feet or more."

Approved unanimously.

Memorandum dated September 26, 1941, from Mr. Parry, Chief of the Division of Security Loans, submitting for approval drafts of letters to the Federal Reserve Banks and to interested Government agencies and trade associations requesting their comments and suggestions with respect to a tentative draft of a registration statement form for use

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in connection with Regulation W, Consumer Credit.

Approved unanimously.

Letter to Mr. Phelan, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 11 and enclosures presenting a question under Regulation W regarding the purchase and resale of taxicabs by Packard Federal Corporation.

"The essential facts are that prior to September 1, 1941, the Corporation entered into a contract to purchase 400 taxicabs from a manufacturer. The taxicabs were being purchased for resale, and before entering into this contract with the manufacturer, the Corporation entered into a contract with a finance company by which the finance company agreed to purchase from the Corporation the instalment obligations arising out of the resale of the taxicabs by the Corporation. The contract with the finance company stated the terms upon which the Corporation would sell the taxicabs, and those terms do not conform to the requirements of section 4 of the Regulation.

"The question is whether the Corporation may sell these taxicabs on these terms to purchasers with whom it had no pre-September agreements. The Board is of the opinion that for the purposes of Regulation W the contract with the manufacturer, the contract with the finance company and the sales of the cabs by the Corporation may be regarded as parts of a single transaction, and therefore that such sales should be regarded as permitted by the Regulation."

Approved unanimously.

Letter to Mr. Silveira, Proprietor of Bettencourt's, 1720 Acushnet Avenue, New Bedford, Massachusetts, reading as follows:

"The Federal Reserve Bank of Boston has brought to the attention of the Board of Governors the advertisement which you and a number of other furniture concerns

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"in New Bedford published on September 21 in regard to the regulation of instalment credit which the Board of Governors has issued in accordance with a recent Executive Order of the President.

"The constructive and dispassionate analysis of the purpose and operation of this regulation evidenced by this statement and the cooperation shown by its publication constitute a very helpful contribution to the administration of the regulation.

"As I am addressing this letter to you because the name of your firm appears first in the list of signers, I will appreciate it if you will communicate the contents of this letter to the other firms who joined with you in the statement."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Donald Hanson
Vice Chairman.