

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 9, 1941, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Parry, Chief of the Division of
Security Loans
Mr. Dreibelbis, Assistant General Counsel
Mr. Bradley, Assistant Chief of the
Division of Security Loans
Mr. Cravens, Consultant in the Division
of Security Loans
Mr. Wesley, Consultant in the Division of
Security Loans
Mr. Hammond, Chief of the Correspondence
and Publications Section of the Secretary's
Office
Mr. Dembitz, Special Assistant in the
Division of Security Loans
Mr. Bonnar Brown, Special Assistant in the
Division of Security Loans

ALSO PRESENT: Mr. Rolf Nugent, Alternate for Mr. Henderson, Administrator of the Office of Price Administration, on the Consultative Committee created by Executive Order 8843

Copies of a memorandum dated October 9, 1941, setting forth the recommendations of the special committee appointed at the meeting of the Board on September 29, with respect to proposed amendments to Regulation W, Consumer Credit, were distributed to those present. The memorandum was read, and the recommendations with respect to a purpose test, side

10/9/41

-2-

loans to make down payments, business loans and 30- 60- and 90-day bank paper, loans to farmers payable in unequal amounts and at unequal intervals, minimum monthly payments of \$5.00, loans secured by junior mortgages, and balloon notes, were discussed.

The meeting recessed at 1:15 p.m. and reconvened at 4:00 p.m. with the same attendance as at the morning session and in addition Mr. Thomas, Assistant Director of the Division of Research and Statistics, and Roland Robinson, Associate Economist in the Division of Research and Statistics.

At this session consideration was given to the recommendations of the special committee with respect to down payments on open account credits for the purchase of listed articles, additions to outstanding credit and credits to retire obligations held elsewhere, and down payments on low-priced articles. It was pointed out that the question of down payments on open account credits had not been discussed at a conference with the Reserve Banks and the "trade". Members of the Board felt that such a conference should be held before the amendment was considered further, whereupon the special committee suggested that, inasmuch as that amendment was closely related to the amendment covering down payments on low-priced articles, the latter also be held so that the two could be considered together.

At the conclusion of the discussion, the Legal Division was requested to draft amendments to Regulation W covering all of the recommendations of the committee with the exception of the two last referred

10/9/41

-3-

to, it being understood that when the drafts of amendments were ready they would be transmitted to the Federal Reserve Banks and the "trade" for such written suggestions as they might wish to make within a short time limit to be specified, prior to final consideration of the amendments by the Board. It was also understood that the Federal Reserve Banks and the "trade" would be advised of the substance of the recommendations with respect to down payments on open account credits and down payments on low-priced articles with the request that they study these two items and be prepared to submit their views with regard thereto at a later date.

Mr. Nugent and all of the members of the staff with the exception of Mr. Morrill left the room at this point, and the Board went into Executive Session.

Mr. Morrill presented a letter just received from Messrs. Vest and Gardner, members of the Board's staff who were in Cuba as members of the mission to assist in developing legislation to establish a central bank in Cuba, setting forth certain questions as to procedure which had been raised by informal instructions issued by Mr. White, Director of Monetary Research of the Treasury Department, who was to have headed the mission but who had been unable to go to Cuba.

By unanimous vote, the Secretary was requested to send the following cablegram to Mr. Gardner:

"Board agrees fully with views of yourself and Vest as stated in your letter October 8. If matter does not work out satisfactorily please advise with your recommendation."

10/9/41

-4-

The action stated with respect to each of the matters herein-after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 8, 1941, were approved unanimously.

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

"Reference is made to your letter of September 22 with which was enclosed a letter from the Chicago Stock Exchange asking for an interpretation of the provisions of section 4(f)(4) of the Board's Regulation T.

"We understand the question to relate to a case in which a member of the New York Stock Exchange carries an account for a member of the Chicago Stock Exchange in which the Chicago member sells or purchases in round lots securities which are listed on both Exchanges. The securities are confined to those in which the Chicago member deals as an odd-lot dealer on the Chicago Exchange, and his transactions on the New York Exchange (and in the account with the New York member) merely offset his transactions in odd lots on the Chicago Exchange.

"The question is whether the New York member may effect and finance in a special account pursuant to the provisions of section 4(f)(4) the round-lot transactions described.

"In the Board's opinion, the New York member may effect and finance these transactions in such an account. It should be pointed out, however, that a responsibility for determining that the transactions are in fact the transactions of the Chicago member 'as an odd-lot dealer in such securities' rests upon the New York member."

Approved unanimously.

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

"Reg. W-91. Question has been received as to whether materials and services for building a new garage are

10/9/41

-5-

"included in Group E if the garage is on improved real estate upon which other buildings are located but is itself a separate new structure. For purposes of Regulation W, materials and services in such circumstances are not considered to be 'in connection with existing structures' but are considered to be for new structures, and hence not included in Group E."

Approved unanimously.

Telegram to Mr. Hodgson, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your wire October 4. Tax or license fee may not be included as part of finance charge under section 4(f) (5) of Regulation W."

Approved unanimously.

Letter, prepared in accordance with the action taken at the meeting of the Board on October 2, 1941, to Mr. Starley, President of the National Association of Supervisors of State Banks, Salt Lake City, Utah, reading as follows:

"When Mr. Ransom accepted the invitation to speak before the recent annual convention of the National Association of Supervisors of State Banks, he hoped to say personally to the members of the Association that at some convenient time in the future the Board of Governors would be glad to meet with members of the Association in Washington for a one or two-day conference for the purpose of discussing problems of mutual interest, and that if the Association would accept the invitation the Board would appoint a committee to work with a committee of the Association on the details of the conference. As you know, other urgent demands on his time prevented Mr. Ransom from going to St. Paul and therefore he requested Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, to extend the invitation on behalf of the Board.

"The Board of Governors would like to take the occasion of your elevation to the Presidency of the Association to renew its invitation and to suggest that if you

10/9/41

-6-

"plan to come to Washington in the near future you afford the members of the Board an opportunity to discuss with you this and other arrangements that might be made for a closer contact between your Association and the Board."

Approved unanimously.

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

"Referring to new Federal tax on transportation of persons. We have been informally advised that principles contained in Board's letter X-1969, dated June 30, 1920, relating to tax exemption on railroad and Pullman tickets, are applicable and for time being Form 158 may be used if properly interlined showing (1) travel by air or motor if actually used, (2) tax imposed by section 3469 of the Internal Revenue Code, as added by section 554 of the Revenue Act of 1941 and (3) penalty for fraudulent use \$10,000 and imprisonment. Board's supply of Form 158 exhausted. Upon formal approval by Bureau of Internal Revenue new printed forms will be furnished your bank."

Approved unanimously.

Thereupon the meeting adjourned.

Brester Norrie
Secretary.

Approved:

W. Steeles
Chairman.