

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 6, 1941, at 11:30 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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 5, 1941, were approved unanimously.

Memorandum dated November 4, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Mary Louise Hamm be appointed as a clerk-stenographer in that Division on a temporary basis for a period of not to exceed three months, with salary at the rate of \$1,440 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, and that, inasmuch as she will probably be recommended for permanent appointment if her services prove to be satisfactory, she now be permitted to become a member of the retirement system. The memorandum stated that Miss Hamm is 18 years of age, is a graduate of high school,

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and has had approximately four months' experience in stenographic work.

The position was taken that the Board should not approve a salary at the rate of \$1,440 per annum for employees with the limited training and experience indicated in Miss Hamm's case, but that an entrance salary at the rate of \$1,260 per annum would be justified and that in such a case the position should be classified accordingly.

Thereupon, the temporary appointment of Miss Hamm was approved as recommended by Mr. Goldenweiser, except that her entrance salary was fixed at \$1,260 instead of \$1,440 per annum.

Letter to Mr. Evans, Vice President and Secretary of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of October 23, 1941, and its enclosure, concerning the termination of affiliate relationships between certain organizations and The First State Bank of Taft, Taft, Texas.

"The information submitted indicates that Cage Hardware & Furniture Company, Cage Implement Company, Inc., C. M. C. Oil Company, L. A. Cage Production Company, Cage Drilling Company, Inc., and Palm-Meadow Oil Company are not now affiliates of The First State Bank of Taft, and, in accordance with your recommendation, the Board will not insist upon the publication of reports of any of such organizations as of September 24, 1941, the last call date."

Approved unanimously.

Letter to Mr. T. W. McCoy, President of The Merchants National Bank and Trust Company, Vicksburg, Mississippi, reading as follows:

"This will acknowledge receipt of your letter of October 28, in which you inquire whether the Board is likely to take some action in regard to interest rates on savings deposits toward the end of the year.

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"It is not possible to give a categorical answer to your question without committing the Board in advance to a course of action during the next two months. No such commitment can be made by the Board, which must be free to take action from time to time in the light of developments as they arise. It may be stated, however, that no change in the maximum permissible interest rate on time and savings deposits is at present under consideration by the Board, and that it is not likely that action in the matter will be taken this year."

Approved unanimously.

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

"Reference is made to your letter of September 19, enclosing correspondence regarding Regulation T with Mr. Edwin McWilliams, Secretary, District No. 2, National Association of Securities Dealers, Inc.

"In the Board's opinion, X acted as a 'broker' (and also a 'creditor') in purchasing the bonds for A's account and as a 'dealer' (and also a 'creditor') in buying the bonds from B. He was subject to the provisions of section 4(c)(1) and (2) of Regulation T. He did not, however, comply with those provisions in purchasing the bonds for A's account, because there was no agreement that the customer would promptly make full cash payment for the bonds.

"Had X not purchased the bonds from B, but had proceeded in the manner described as 'a somewhat different method', he would have acted as a 'broker' (and also a 'creditor') throughout, would have been subject to the provisions of section 4(c)(1) and (2), and would have failed to comply with those provisions because there was no agreement that A would promptly make full cash payment or that B would promptly deposit the securities in the account.

"There is no exception to the provisions of section 4(c) for cases involving a 'buyer's option' or 'seller's option'. On the other hand, there is no prohibition against the use of such options if the transactions otherwise meet the requirements of the regulation.

"In connection with these questions you may find it helpful to refer to the ruling in the 1940 Federal Reserve

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"Bulletin at page 1172 (Loose Leaf Service #7964.2)."

Approved unanimously.

Letter to Mrs. J. T. Bowlby of Bowlby's Music House, Rock Island, Illinois, reading as follows:

"Your letter of October 4, addressed to the Collector of Internal Revenue, has recently been referred to the Board of Governors. Your inquiry is whether Regulation W applies to the type of agreement described in your letter, under which you sell a musical education course to parents of children covering a period of 60 to 70 weeks, during which time you loan the child an instrument and if the child completes the course, the child is given either that instrument or another one, depending upon the condition of the instrument. The parent can discontinue the course at any time by notifying you and returning the instrument, but the parent acquires no equity in the instrument and you have no discount agreement whereby the course can be cancelled and the instrument retained by the student upon payment of any certain sum of money. You say that for your own records, you set up a card showing the instrument as being in the possession of the child, the net cost of the instrument being charged to the student.

"There are enclosed copies of Regulation W and of two Interpretations (W-52 and W-68) issued by the Board of Governors. It would appear from your letter that the agreement is similar to that described in W-68 in that the money paid by the parent covers lessons and various similar services as well as the cost of the instrument. Therefore, if the instrument is of a kind listed in the Supplement to the Regulation, it would be necessary to obtain a deposit equal to the down payment which would be required on the sale of the instrument and to require payments which would pay off the balance of the price in eighteen months, as described in W-52.

"The 18 months maturity permitted by the Regulation is longer than the 60 to 70 weeks which you mention as the usual length of your course. The down payment required for 'musical instruments composed principally of metals' (item 11 in Group C of the Supplement) is 20% of the bona fide cash purchase price of the instrument. The

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"minimum monthly payment provision which was contained in section 4(f) of the Regulation, and which was to have become effective January 1, 1942) has been eliminated from the Regulation, and the Regulation, after December 1, 1941, will permit the seller to disregard the down payment requirement if the down payment would be \$2 or less.

"The administration of Regulation W has been decentralized and, therefore, it is suggested that any further inquiries which you may have regarding it be addressed to the Federal Reserve Bank of Chicago, Chicago, Illinois."

Approved unanimously.

Letter to Mr. Ben Stern, President of the Stern Finance Company, Des Moines, Iowa, reading as follows:

"As you have been advised, your letter of October 27, addressed to Mr. Galbraith, Assistant Administrator, Office of Price Administration and Civilian Supply, has been referred to the Board of Governors.

"Mr. Galbraith forwarded you a copy of Amendment No. 2 which contains the provision regarding 'Farmer Plans' to which you refer. As you will have noted, Amendment No. 2 makes a number of changes in Regulation W, and it was thought desirable to postpone the effective date of all of the changes until December 1, not only in order to give all persons affected a reasonable opportunity of studying the changes and preparing to adapt their practices to them, but also to avoid confusion and the danger that some persons might be availing themselves of the new provisions while others who had not yet been advised were not in a position to do so.

"The administration of Regulation W has been decentralized and therefore it is suggested that any further inquiries which you may have regarding it be addressed to the Federal Reserve Bank of Chicago, Chicago, Illinois."

Approved unanimously.

Mr. Paulger suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Messrs. Bayard F. Pope, E. C. Gruen, and W. W. Schneckenburger, Director, Vice

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President and Treasurer, and Vice President, respectively, of the Marine Trust Company, Buffalo, New York.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. C. Cullen  
Chairman.