A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 19, 1941, at 12:45 p.m.

PRESENT: Mr. Ransom, Vice 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 18, 1941, were approved unanimously.

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

"In accordance with the request contained in your letter of November 13, the Board approves the appointment of Frank F. Boone as an examiner for the Federal Reserve Bank of New York and the appointments of Vincent C. Butsch, Edward B. Main, and Fred W. Piderit, Jr., as assistant examiners. Please advise us of the effective dates."

Approved unanimously.

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

"Referring to your letter of November 13, 1941, the Board of Governors approves the appointment of Mr. Wakefield Baker, President, Baker, Hamilton and Pacific Company, San Francisco, as a member of the Industrial Advisory Committee"
"for the Twelfth Federal Reserve District, to serve for the remainder of the term ending February 28, 1942."

Approved unanimously.

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

"Reference is made to your letter of November 4 and to President McLarin's letter of May 23, submitting, for the Board's consideration under applicable conditions of membership, a request of the Bank of Canton, Canton, Georgia, for permission to reduce its capital.

"It is understood that the bank wishes to reduce its capital from $150,000 to $100,000 and to reduce its surplus likewise from $150,000 to $100,000, making a total reduction of $100,000 in the two accounts, and that in connection with the reduction the bank agrees to write down the other real estate account $10,000 and to write down the carrying value of its holdings of the Canton Cotton Mills stock $4,500.

"In accordance with your recommendation, the Board approves of the bank's request for permission to reduce its capital and surplus accounts $50,000 each, with the understanding that the bank will make the agreed charge-offs of $14,500 on or before the consummation of the reduction in capital.

"It is noted that the other real estate account at the time of the recent examination consisted, in addition to a small property recently acquired and carried at a nominal amount, of property acquired in February 1929 and carried at $18,241 and property acquired in April 1931 and carried at $16,027. Both properties yield only nominal returns. The fact that the bank has been unable to dispose of the properties in 12 and 10 years, respectively, emphasizes the fact that they are not proper bank assets. The write-down of $10,000 is certainly a step in the right direction; however, it is felt that the management should exert a determined effort to sell the properties and if the bank is unable to dispose of the real estate further substantial write-downs will be expected."

Approved unanimously.

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

"Reference is made to your letter of November 8, 1941, with its enclosures, regarding the merger of The Commercial National Bank of Chattanooga into the American Trust and Banking Company, Chattanooga, Tennessee, which was consummated on October 27, 1941.

"It would appear from the information submitted that the transaction has not resulted in any change in the general character of the assets of the American Trust and Banking Company or the scope of its powers within the meaning of condition of membership numbered 1 under which the bank was admitted to membership. The Board, therefore, will interpose no objection under the conditions of membership to the transaction."

Approved unanimously.

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

"Reference is made to your letter of November 5, 1941 regarding Regulation W.

"You describe a case in which a municipally owned water system follows the practice of requiring a deposit to cover the entire expense of extending water mains, which deposit is subsequently refunded by the city from its general funds by payments of 25 per cent of the sum deposited, without interest, on the first day of July in each year until the sum is fully paid. The first payment is made on the first day of July of the next year following the year in which the money is deposited. The consumer does not purchase the water mains, which at all times are the property of the city, but is merely required to make a deposit covering the cost of the extension to assure the city that the water revenue will ultimately reimburse it for the costs incurred in such extension.

"The question is whether a bank must comply with the requirements of Regulation W if it makes the required deposit -- in the amount of $1,000 or less -- for the prospective water consumer and takes an assignment of the payment due from the city treasurer.

"Under the facts as stated, it appears that the transaction is essentially a loan of the funds to the consumer,
"that the loan is to be repaid in instalments, and that it does not qualify for any exemption under the Regulation. Accordingly, the loan must comply with the requirements of the Regulation applicable to instalment loan credit."

Approved unanimously.

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

"Reg. W-110. The classification 'mechanical refrigerators' does not include refrigerated locker plant systems composed of a group of frozen food storage lockers which are not individually refrigerated but are installed in a refrigerated room, even though the individual lockers are of less than 12 cubic feet capacity."

Approved unanimously.

Memorandum dated November 17, 1941, from Mr. Morrill, recommending, for the reason stated in the memorandum, that $1,000 be added to the item of Telephone and Telegraph in the Secretarial and Administrative Functions Section of the 1941 non-personal budget of the Office of the Secretary.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Secretary.

[Signature]

Vice Chairman.