

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 18, 1941, at 11:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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 December 17, 1941, were approved unanimously.

Memorandum dated December 16, 1941, from Mr. Nelson, Assistant Secretary, recommending (1) that Kenneth G. Emery, an elevator operator, be promoted to the position of clerk in the Secretary's Office on a permanent basis and that his salary be increased from \$1,200 to \$1,440 per annum, effective January 1, 1942, and (2) that James H. Campion, Jr., be appointed as an elevator operator in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Memorandum dated December 16, 1941, from Mr. Nelson, Assistant Secretary, recommending (1) that Thomas G. Cook be appointed on a temporary basis for an indefinite period as a chauffeur in the Secretary's Office, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, and (2) that the salary of C. W. Spargo, chauffeur in the Secretary's Office be increased from \$1,380 to \$1,500 per annum, effective January 1, 1942.

Approved unanimously.

Memorandum dated December 11, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Esther H. Larson be appointed on a permanent basis as a clerk in that Division, with no change in salary at the rate of \$1,440 per annum, effective at the expiration of her temporary appointment at the close of business on December 21, 1941.

Approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank and the Detroit Branch as requested in your letters of December 12 and 13, 1941."

Approved unanimously.

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Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of November 13, 1941, and its enclosures, requesting the Board's views with respect to certain questions in connection with a proposal of Pilgrim Trust Company, Boston, Massachusetts, to transfer the building in which its banking quarters are located to a corporation to be organized to hold and operate the building, the bank acquiring all of the stock of such corporation.

"The Board concurs in your Counsel's opinion that, in view of the provisions of section 24A of the Federal Reserve Act relating to investments by member banks in such stock, section 9 of the Federal Reserve Act and section 5136 of the Revised Statutes should not be construed to prohibit the purchase by a State member bank of stock of a corporation holding the bank premises of the bank.

"However, the Board cannot agree that section 24A should be treated as an implied exception to section 23A of the Federal Reserve Act and is of the opinion that, where the corporation has been organized subsequent to June 16, 1934, the right to purchase the stock thereof is subject to the limitations of section 23A with respect to investments by member banks in stock of affiliates. Section 23A, as amended by the Banking Act of 1935, contains an exception stating that the provisions of such section shall not apply to any affiliate 'engaged on June 16, 1934, in holding the bank premises of the member bank with which it is affiliated or in maintaining or operating properties acquired for banking purposes prior to such date'. As originally enacted, as a part of the Banking Act of 1933, section 23A contained, instead of the foregoing, an exception stating that the provisions of such section should not apply to any affiliate 'engaged solely in holding the bank premises of the member bank with which it is affiliated'. Section 24A, also enacted as a part of the Banking Act of 1933 and not subsequently amended, prescribes limitations (more liberal than those of section 23A) upon the amount which a member bank may invest in bank premises and certain other assets representing bank premises, including stock 'of any corporation holding the premises of such bank'. Pointing out that, when sections 23A and 24A were originally enacted, the exception in

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"section 23A exempted only affiliates engaged solely in holding bank premises but the purchase of stock permitted by section 24A (with its more liberal limitations as to amount) was not restricted to stock of corporations solely so engaged, your Counsel argues that, since both sections were adopted as a part of the same Act, it may be logically contended that Congress saw no conflict between them and that section 24A formed an implied exception to the restrictions of section 23A, an exception not affected by the amendment to section 23A in 1935 referred to above. However, the Board is of the opinion that, since Congress dealt expressly with the application of section 23A to organizations engaged in holding bank premises by incorporating an exception in that section, it is not warranted in concluding that by enacting section 24A, Congress intended at the same time to create by implication another exception dealing with the same subject matter, particularly as it appears to the Board that the two sections can be otherwise reconciled.

"Possibly an argument might be made that the transaction contemplated by Pilgrim Trust Company does not involve the investment of 'funds' of the bank in stock of the new corporation and, therefore, is not governed by section 23A. Also, conceivably, it might be argued that the transaction does not involve an investment in stock of an affiliate on the grounds that there would be no affiliate relationship prior to the investment. However, the Board can not accept these highly technical arguments which appear to be so clearly contrary to the intent and purposes of section 23A.

"As your Counsel mentions, section 23A also contains an exception to the effect that the provisions of such section shall 'not apply to indebtedness of any affiliate for unpaid balances due a bank on assets purchased from such bank'. In view of this exception, the Board is of the opinion that a member bank can sell its bank premises to a corporation organized to hold and operate such premises, receiving therefor all of the stock of the corporation at a value not exceeding the limitations prescribed by section 23A and a note of the corporation for the balance of the purchase price.

"It has been assumed, of course, that if the proposed transaction is consummated the true nature of the asset will be fully disclosed in all statements of condition issued for general information as well as in call reports of condition submitted to the supervisory authorities."

Approved unanimously.

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Letter to Mr. George W. Fitch, Managing Director of the Retail Furniture Association of California, San Francisco, California, reading as follows:

"This will acknowledge your letter of December 1 making a suggestion on behalf of the Retail Furniture Association of California that Regulation W be amended to prohibit misleading advertising concerning credit terms. The Board is always glad to learn the opinions of merchants and trade associations concerning Regulation W and is particularly grateful for your constructive suggestions and the cooperative spirit shown by your letter.

"One of several problems that will arise in connection with this subject is the difficulty of prohibiting misleading advertising and at the same time avoiding interference with advertising of a legitimate nature. The Board has hoped that the trade itself would bring to an end this type of advertising, and in many localities sellers and lenders have accomplished much in this regard. You may be assured that the Board is not unmindful of the problem.

"As you are doubtless aware, the administration of Regulation W is decentralized among the twelve Federal Reserve Banks and you may find it more convenient to address further suggestions on this regulation to the Federal Reserve Bank of San Francisco. Thank you for your informative letter."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order requested June 14, 1941, for the printing of Federal reserve notes of the 1934 Series in the amount and denomination stated for the Federal Reserve Bank of Cleveland:

Denomination	Number of sheets	Amount
\$5	167,000	\$10,020,000"

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Mouier
Secretary.

Approved:

McClure
Chairman.