

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 24, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
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 January 23, 1942, were approved unanimously.

Bond in the amount of \$10,000, executed under date of January 13, 1942, by Margaret R. Newcomb as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

Approved unanimously.

Letter to Mr. Homer F. Berry, Cumberland, Maryland, reading as follows:

"Receipt is acknowledged of your letter of January 7, 1942 regarding Regulation W. You state that you placed an order early in November with a mail order house for some furniture selling for \$73.95 with a deferred balance of \$69.25. The furniture was delivered on December 1. Your balance on previous orders was then \$79.32, making a total of \$148.57. You wish to consolidate these balances into one contract with payments of \$10 per month, which would pay out in 15 months. However, the mail

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"order house says that it cannot consolidate the obligations, and requires \$8 per month on the new purchase, which would pay out in 9 months.

"In order to give you a definite answer, it will be necessary to know (1) the size of the monthly instalments which you were paying on the previous balance of \$79.32, (2) whether these previous purchases were made before or after September 1, 1941 (when Regulation W became effective) and (3) what kind of articles they were (because different rules would apply if they were articles listed in the Supplement to Regulation W, than would apply if they were not listed).

"The administration of Regulation W has been decentralized, and therefore this information should be sent to the Baltimore Branch of the Federal Reserve Bank of Richmond, Baltimore, Maryland. We have sent a copy of your letter to the Baltimore Branch so that it will be able to advise you upon receipt of the information.

"Your stamped self-addressed envelope is returned herewith."

Approved unanimously, together with a letter to Mr. Milford, Managing Director of the Baltimore Branch of the Federal Reserve Bank of Richmond, in the following form:

"Enclosed are copies of a letter dated January 7, 1942, from Mr. Homer F. Berry, 731 Oldtown Road, Cumberland, Maryland, and of our reply of this date.

"It seems likely that the mail order house was acting under a strict interpretation of section 4(g) of Regulation W, which some of the mail order houses had adopted prior to the issuance of W-105 on October 22 (see particularly the second paragraph of W-105).

"The mail order house also may have felt that, since the sales were made prior to the effective date of Amendment No. 2, Option 2 under section 8(b) was not available to it. However, it seems that under W-19, which applied prior to the effective date of Amendment No. 2, similar privileges were available to the mail order house. Moreover, even if this were not the case, under the principle stated in W-114 permitting a pre-December credit to a farmer to be revised on the basis permitted by the new section 9(f), the mail order house, in view of W-105,

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"could now revise under Option 2.

"It may be noted, of course, that under section 9(j) of the regulation the company always has the right to apply terms stricter than those required under the regulation."

Letter to Mr. Leland H. Ives, Manager of the Corinth Office, The Manufacturers National Bank, Corinth, New York, reading as follows:

"Receipt is acknowledged of your letter of January 14 stating that Union Free School District #7, Corinth, New York, owns a residence, which is occupied by the Superintendent of Schools, and wishes to purchase an oil burner for it; that the School District cannot make the required down payment or pay for the oil burner in full, and that therefore the purchase would be on the basis of an open account until the first of July, when the District will borrow in anticipation of taxes sufficient funds to pay the open account.

"From the facts stated in your letter it would appear that there would not be an extension of instalment credit as defined in section 2(c) of Regulation W because the price of the oil burner will apparently be paid by the School District in one payment. It seems probable also that the money borrowed in anticipation of taxes will also not be borrowed on an instalment basis.

"The administration of the Regulation has been decentralized and therefore it is suggested that any further inquiries which you may have should be addressed to the Federal Reserve Bank of New York, New York City. A copy of your letter and of this reply have been sent to that bank for its information."

Approved unanimously.

Letter to Mr. E. E. Brown, President of the Federal Advisory Council, prepared in accordance with action taken at the meeting of the Board on January 22, and reading as follows:

"Your letter of January 19, 1942, with further reference to the proposed amendment to section 7(d) of the Securities Exchange Act of 1934, was received by the Board on January 21, 1942. On the previous day Mr. Parry, Chief



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"of the Board's Division of Security Loans appeared before the House Committee in connection with the amendment and since it is not anticipated that there will be any further appearance of a representative of the Board before the Committee it will not be possible to comply with the request contained in your letter that when the Board's testimony on the bill is presented it state that the Federal Advisory Council would like to reserve the right to file a memorandum with the Committee dealing with the section. However, the Board has transmitted your request to the Chairman of the House Committee on Interstate and Foreign Commerce in a letter, a copy of which is enclosed, and as soon as a reply is received we shall communicate with you further.

"The Board has asked me to say that it will be pleased to discuss the proposed amendment with you and the other members of the Council at the time of the Council's scheduled meeting on February 15-17 or before that time should you desire."

Approved unanimously, together with a letter to Congressman Lea, Chairman of the House Committee on Interstate and Foreign Commerce, in the following form:

"On January 21, 1942, the Board received a letter from Mr. E. E. Brown, President of the Federal Advisory Council, requesting that when the Board presented testimony before your Committee with respect to the proposed amendment to section 7(d) of the Securities Exchange Act of 1934 it be stated that the Federal Advisory Council would like to study the testimony presented in regard to this section, to discuss it with the Board of Governors, and to reserve the right to file a memorandum before the Committee dealing with this section.

"As you know, Mr. Parry, Chief of the Board's Division of Security Loans, testified before your Committee on the proposed amendment on January 20 and it is not anticipated that there will be any further appearance of a representative of the Board before the Committee in connection with the amendment. Therefore, the Board is adopting this means of transmitting Mr. Brown's request to you.

"The next meeting of the Federal Advisory Council in Washington will be held on February 15-17, 1942, at which

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"time it is anticipated that the amendment to section 7(d) will be discussed by the Council with the Board of Governors. It may be that following that discussion, the Council may wish to file with you a statement of its position in connection with the amendment.

"In order that we may inform Mr. Brown, it will be very much appreciated if you will advise the Board whether this arrangement will be satisfactory to your Committee."

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. S. ...

Chairman.