

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 4, 1942, 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. 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 February 3, 1942, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held with the Presidents of the Federal Reserve Banks on February 3, 1942, were approved unanimously.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter of January 29, 1942, the Board of Governors approves the reappointment of Messrs. Herman R. Neff, Edward C. Folsom, Dan C. Swander, and W. W. Withington, and the appointment of Mr. Carl C. Gibbs to succeed Mr. F. A. Smythe, as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each beginning March 1, 1942."

Approved unanimously.

Letter to Mr. Fletcher, Vice President of the Federal Reserve

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Bank of Cleveland, reading as follows:

"As requested in your letter of January 30, the Board approves the designations of the following employees as special assistant examiners:

MAIN OFFICE

Glenn E. Watkins	Nicholas J. Kappanadze	Henry Louis
Robert Rudd	Jacob Reebel	Rudolph Strukar
John E. O'Connor	Ted Blake	Ralph Holkenburg
Kenneth A. Green	H. M. Potter	Robert Oswald
Francis M. McLaughlin	Gordon Wright	William Mahar
Robert Mellert	F. J. Koza	Vincent Galyas
Elwood Denton		

CINCINNATI BRANCH

Howard Bruce	Richard Oettinger
Walter Swerdeski	George Hurst

PITTSBURGH BRANCH

C. E. Houpt	Louis Goldstrom
William Eicher	Harry Rickert
Baird Corlett	

"Approval is given with the understanding, of course, that none of the employees listed will be transferred permanently to examination work without the Board's approval.

"The designation of Harry H. Wachtel as a special assistant examiner, which has already been approved by the Board, is not affected by his transfer from the main office to the Cincinnati Branch. Therefore, reapproval is not necessary. The names of the other employees listed have been removed from the list of special assistants."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 30, the Board approves the designation of S. Frank Cooper as a special assistant examiner, with the understanding, of course, that he will not be transferred permanently to examination work without the Board's approval.

"As was also requested in your letter, the name of Vestus L. Crow has been removed from the list of special assistant examiners previously approved."

Approved unanimously.

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

"Reference is made to your letter of January 29, 1942, wherein you advise that the American Trust and Banking Company, Chattanooga, Tennessee, reduced its common capital stock from \$1,106,400 to \$1,100,000 without first obtaining the approval of the Board of Governors under the conditions of membership. You state that the reduction of \$6,400 in the bank's capital represents an adjustment in capital subsequent to the recent merger with The Commercial National Bank of Chattanooga and was effected in order to bring the number of shares to an even 11,000 shares (par value \$100).

"In view of the circumstances and your recommendation, the Board approves of the \$6,400 reduction in common capital stock of the subject bank.

"It appears that the enclosures mentioned in the first and third paragraphs of your letter were inadvertently omitted and it will be appreciated if you will furnish us with copies of them for our files."

Approved unanimously.

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

"Receipt is acknowledged of your letter of January 21, 1942, enclosing copies of correspondence received from the Better Business Bureau of Providence, Rhode Island, and inquiring whether it would be permissible to forward to that institution a letter of authorization which they request and approving the form of statement which they desire to send out.

"In this connection, representatives of the Defense Committee of the National Association of Better Business Bureaus have recently been in touch with us and have discussed questions similar to those presented by the Providence Bureau. The Board understands that all of the local Better Business Bureaus are members of this association. The suggestions of the Committee are now being considered by the Board and you will be advised in due course of any arrangements worked out with the National Association.

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"Meanwhile, we think that it would be appropriate for you to advise the Providence Bureau of these developments, expressing the Board's appreciation for its cooperation and giving assurance that it will be advised promptly of any further developments."

Approved unanimously.

Letter prepared for the signature of Mr. Thomas, Assistant Director of the Division of Research and Statistics, to Mr. Walter B. French, Deputy Manager of The American Bankers Association, New York, New York, reading as follows:

"With reference to your letter of December 31 to Mr. Morrill and also to our recent conversation, we are now ready to consider the procedural steps necessary for transferring the commercial bank consumer credit reporting series. The plans here outlined are presented for your consideration.

"In the first place, we should like to have as soon as possible a list of the banks that are now reporting to you. This list would be divided by Federal Reserve districts and supplied to the appropriate Reserve Banks. The Reserve Banks would be requested to compare the list furnished them both with the year-end condition report supplement and the registration statement to find any important consumer lenders that are not now reporting. Then the Reserve Banks will communicate with the banks which will be requested to report.

"We are suggesting to the Reserve Banks that the reporting banks on your list submit duplicate schedules to them and that they forward a set of the reports to you, rather than place upon reporting banks the burden of mailing reports to two different addresses. You may mention this arrangement in writing to the banks on your list. Could you supply us with a copy of the letter which you propose to send to your reporting banks? In building up our long term series we would like to have access to the schedules collected by you for prior months and quarters. By borrowing your returns we can save the banks the trouble of separately reporting back figures.

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"For the present, at least, the plan is to use a form of report which has the same items as the condition report supplement used in December 1941, but to request data on volume for the month as well as amounts outstanding at the end of the month. A copy of the call report form, which includes only data on outstandings, is enclosed. Except for the addition of noninsured modernization loans, this is the same as the present ABA report form. We very much appreciate your cooperation in this matter.

"Since it will take some time to complete these arrangements, we assume that you will send out the January schedules as usual."

Approved unanimously, together with a letter to the Presidents of all Federal Reserve Banks, in the following form:

"Because of the Board's responsibility in connection with the regulation of consumer credit, it has been decided to request the principal commercial bank lenders in this field to report monthly statistics as to their operations. Some 200 banks are now reporting such figures to the Consumer Credit Department of the American Bankers Association, but it is preferable that the Reserve System obtain data directly from the banks. We have discussed the matter of Reserve System collection of such statistics with Mr. Walter B. French of the American Bankers Association and he recognizes our need for such data. This letter is to inform you of plans for the collection of these data and to obtain your views before making final arrangements.

"For the present, the plan is to use a form of report which has the same items as the condition report supplement used in December 1941, but to request data on volume for the month as well as amounts outstanding at the end of the month. Except for the addition of noninsured modernization loans, this is the same as the present ABA report form.

"It is suggested that you compile from condition report supplements of the member banks and the registration statements of nonmember banks a list of important lenders in this field. Presumably the sample of current reporting banks should cover more than half of the total consumer instalment loan of all banks in your district. A larger proportion

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"is desirable if obtainable from a relatively small number of banks. We expect to obtain from Mr. French at some later date a list of banks now reporting to him and shall send you the list for your district.

"Mr. French would like to continue to receive copies of the current schedules on individual banks, as they are needed in the work that he is doing. He will write to his reporting banks explaining that the Reserve System plans to collect and publish these data in the future, but requesting each bank to submit duplicate schedules--one to be retained by the Reserve Bank and the other to be forwarded by the Reserve Bank to the American Bankers Association. Under this arrangement it will be necessary for the Reserve Banks to send out copies of the report schedule each month in triplicate, at least to the banks on the ABA list, so that each such bank will be able to prepare a report for the ABA as well as for the Reserve Bank and also to retain a copy for its own files. This arrangement will relieve reporting banks of the burden of mailing reports to two different addresses."

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

"Recently the head of the Division of Frozen Funds Control of one of the Federal Reserve Banks received a request from a local censor for information which the head of the division did not feel he could give out without the consent of the Treasury Department. The matter was taken up with the Treasury and under date of January 27, 1942, the Treasury sent to the Frozen Funds Control division of each Federal Reserve Bank circular No. 113 authorizing the division to make information in its files and records available to the offices of Military and Naval Intelligence, Army and Navy Censorship, and agents of the Department of Justice.

"The Board has not received any requests from the Office of Censorship that confidential information be made available to censors from other departments of the Federal Reserve Banks. However, should you receive requests for such information, it will be appreciated if you will give the censor the fullest cooperation practicable in the circumstances, and if the number of such calls assumes

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"any substantial volume it is suggested that you advise the Board from time to time as to the number and general nature of the requests. Should you have any question at any time as to the information that should be furnished to the censor in response to his requests, the Board will be pleased to have you take the matter up with it."

Approved unanimously.

Letter to Honorable D. W. Bell, Under Secretary of the Treasury, reading as follows:

"On December 15, 1941, the Federal Reserve Bank of New York received a cablegram from the South African Reserve Bank, copy of which is enclosed, stating that the South African banks are being asked to negotiate U. S. dollar notes for Naval personnel aboard United States vessels calling at the South African port and that owing to heavy insurance charges when repatriating these notes, rates quoted by banks occasion holders heavy losses on exchange.

"To meet this situation the South African bank suggested that the notes be canceled or destroyed by it and that the amount thereof be credited to its account with the Reserve Bank of New York, with which it maintains correspondent relations. Assuming that this arrangement would not be satisfactory to the Treasury, the Federal Reserve Bank of New York suggested that it might be possible for the Navy Department to make arrangements for paymasters aboard U. S. Naval vessels, when in South African ports, to purchase such notes as are presented to them by South African banks. We took this matter up with the Navy Department, and Secretary Knox suggested in his letter of January 3, copy attached, that in view of the unusual financial transactions involved, the proposal be submitted to the Secretary of the Treasury for his consideration.

"Since the cablegram from the South African Reserve Bank did not give any information as to the amounts involved or prevailing rates, the Federal Reserve Bank of New York cabled the South African Reserve Bank on January 7 as follows:

'Your No. 44. Please cable approximate monthly volume dollar notes negotiated and prevailing rate applied thereto.'

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"On January 28 the South African Reserve Bank replied to this inquiry as follows:

'During December purchases amounted to approximately \$155,000, prior to that, average was \$25,000 per month. Prevailing rate 4sh8d but if arrangement mentioned in our number 44 introduced we could quote 4sh10d.'

"Since the receipt of Secretary Knox's letter, you have furnished us with a copy of a cablegram dated January 21, 1942, from Secretary Hull to the American Consul at Batavia, Java, authorizing the Javasche Bank to cut in half vertically U. S. currency received by it and to turn such currency over to the American Consul for shipment to the U. S. Treasury, settlement for which would be effected through the account maintained by the Javasche Bank with the Federal Reserve Bank of New York.

"It will be appreciated if you will advise the Board whether arrangements similar to those worked out for the Javasche Bank can be extended to include the South African Reserve Bank. If so, it is assumed you will send the necessary cable to South Africa, or authorize the Federal Reserve Bank of New York to send such a cable as fiscal agent of the Treasury."

Approved unanimously.

Letter to Congressman Jerry Voorhis, reading as follows:

"This refers to your letter of January 26, 1942, requesting advice as to what amendments to existing laws would be necessary to permit credit unions or banking institutions organized on cooperative principles to enjoy the rights and privileges of a member bank in the Federal Reserve System.

"Because of the complications arising from the various kinds of banks and other financial institutions which accept deposits or issue shares, as in the case of savings and loan associations, credit unions, etc., it is believed that a more helpful answer to your letter might be given after some discussion of the matter with you.

"However, it may be mentioned that the statutory provisions relating to the admission to membership of banks, other than national banks in the United States, are found in section 9 of the Federal Reserve Act. These provisions were amended in 1933 so as to provide specifically for admission of 'Morris Plan banks and other incorporated banking

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"institutions engaged in similar business' and for the admission of 'any mutual savings bank having no capital stock (including any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place.'

"These amendments of 1933 undoubtedly do not cover all of the situations which you may have in mind, but they do appear to be in line with the general thought expressed in your letter. It may be stated that only a very few banks have applied for membership under these amendments and that in such cases membership has been granted.

"I am enclosing a copy of the Board's Regulation H which relates to the admission of banks to membership in the Federal Reserve System and in the Appendix to which you will find the applicable provisions of the Federal statutes. If, after reviewing this regulation and the above comments, you desire to discuss this matter with representatives of the Board I shall be glad to arrange for such discussion with appropriate representatives of the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Marnel

Secretary.

Approved:

W. C. C. C.
Chairman.