

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, February 14, 1942, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
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:

Memorandum dated February 12, 1942, from Mr. Nelson, Assistant Secretary, recommending that Miss Helen E. Gervais be appointed as a stenographer in the Secretary's Office, with salary at the rate of \$1,680 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.

Approved unanimously.

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

"Reference is made to your letter of February 3, 1942, submitting the request of the Ogdensburg Trust Company, Ogdensburg, New York, for approval of the establishment of a branch in Winthrop, New York, in connection with the proposed purchase of assets and assumption of the deposit liabilities of The First National Bank of Winthrop pursuant to an agreement executed December 17, 1941.

"In view of your recommendation and the information submitted, the Board approves the establishment and operation of a branch in Winthrop, New York, by the Ogdensburg

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"Trust Company, Ogdensburg, New York, upon completion of the transaction involving assumption of the deposit liabilities of The First National Bank of Winthrop substantially in accordance with the agreement referred to, provided (1) approval of the appropriate State authorities is obtained, (2) provision satisfactory to the Federal Reserve Bank of New York is made for the losses estimated in the report of examination of the trust company as of May 23, 1941, and (3) the assets acquired from the national bank will not be carried by the trust company at an amount in excess of cost; any reserve resulting from the differences between carrying value of the assets acquired and cost to the trust company to be treated as a valuation reserve rather than as a reserve for contingencies."

Approved unanimously.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, prepared following the action taken at the meeting of the Board on February 6, 1942, and reading as follows:

"Reference is made to Mr. West's letter of January 20, 1942, with respect to the plans of First Trust and Savings Bank of Pasadena, California, control of which was recently acquired by Transamerica Corporation, to establish a branch at Alhambra and to acquire the assets of the Temple City National Bank and to establish a branch in Temple City.

"The Board has given careful consideration to the information submitted and to other pertinent information in its files and has reached the conclusion that it should not approve the establishment of the proposed branches on the basis of the information now before it. Please advise First Trust and Savings Bank of Pasadena of the Board's views before it takes any further steps to consummate its plans."

Approved unanimously, together with
the following letter to Mr. Day:

"There is enclosed a letter which the Board has addressed to Transamerica Corporation, with respect to the

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"matter of further expansion of the Transamerica group, which you are requested to transmit to that Corporation."

The letter to Transamerica Corporation, referred to in the second letter to Mr. Day, was also approved unanimously and was in the following form:

"The Board has recently received through the Federal Reserve Bank of San Francisco a copy of a letter from a member bank, control of which was recently acquired by your Corporation, stating that the member bank has under consideration the establishment of several branch banks and that the letter is written for the purpose of securing the necessary approval from the Federal Reserve Board. The member bank's letter set forth certain facts with respect to proposed branches at two locations and stated that the letter would be supplemented by such formal applications as Federal Reserve regulations may require.

"The Board gave careful consideration to the information submitted and to other pertinent information in its files and reached the conclusion that it should not approve the establishment of the proposed branches on the basis of the information now before it. The Federal Reserve Bank of San Francisco was requested to advise the member bank accordingly.

"Should your Corporation have any plans for the further expansion of its interests in banks, either directly or indirectly, through the mechanism of extending loans to others for the purpose of acquiring bank stock, or in any other manner, you are requested to advise the Board through the Federal Reserve Bank of San Francisco before any such plans are consummated.

"The Board's position in this matter is in accord with the policy, upon which there is unanimous agreement by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, that the Federal bank supervisory agencies should, under existing circumstances, decline permission for the acquisition directly or indirectly of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N. T. & S. A., or any other unit of the Transamerica group.

"Please see that all persons in the Transamerica

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"group who may be concerned with this policy are advised accordingly."

In connection with the above matter, unanimous approval was also given to the following letter to Mr. Day:

"Reference is made to the application of the Peoples Bank of Lakewood Village, California, which has not yet been authorized to commence business, for membership in the Federal Reserve System. The Board has carefully considered the information accompanying this application, together with such other information as it has been able to develop with regard to the application, and has requested me to advise you that it is unwilling to approve the application on the basis of the information now before it. Please advise the applicant accordingly."

Action on the four letters referred to above was taken with the understanding that copies of the letters to Mr. Day with respect to branches of the First Trust and Savings Bank of Pasadena and the application for membership by the Peoples Bank of Lakewood Village and of the letter to the Transamerica Corporation would be sent to the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation.

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

"Enclosed herewith is a copy of the report of National Bank Examiner I. F. Gaffney, dated January 23, 1942, concerning his investigation of the trust department records of The Second National Bank of Ravenna, Ravenna, Ohio, in connection with the desire of the bank to surrender its right to exercise fiduciary powers.

"In view of the pending litigation mentioned in Mr. Gaffney's report, no action with respect to this matter will be taken by the Board at this time. As you will note from the enclosed copy of our letter of this date to the

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"Comptroller of the Currency, we have requested a further report as to the status of the litigation when the bank is next examined. Please advise the bank accordingly."

Approved unanimously, together with a letter to Honorable Preston Delano, Comptroller of the Currency, in the following form:

"This refers to Mr. Upham's letter, dated January 29, 1942, transmitting a copy of the report by National Bank Examiner I. F. Gaffney, dated January 23, 1942, concerning his investigation of the trust department records of The Second National Bank of Ravenna, Ravenna, Ohio, in connection with the desire of the bank to surrender its right to exercise trust powers.

"In view of the pending litigation mentioned in Mr. Gaffney's report, no action with respect to this matter will be taken by the Board at this time. It is assumed that inquiry concerning the status of the litigation will be made by your examiner upon the occasion of the next regular examination of the bank and advice as to the information developed will be appreciated."

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of January 24, 1942 asking three questions regarding Regulation W.

"Your first question relates to Interpretation W-102. The transaction considered in that Interpretation was an extension of instalment loan credit, because, as you point out, the credit was constructively an extension of instalment loan credit the proceeds of which were used to discharge the pre-existing indebtedness. For this reason no down payment was required.

"Your third question relates to a person who is not engaged in the business described in section 3 of the Regulation and is therefore not required to register. This person sells an automobile without receiving a down payment, and takes an instalment note which does not comply with the Regulation. This is permissible because the

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"seller is not subject to the Regulation. However, as you conclude, the note may not be purchased or discounted by a Registrant. This conclusion is stated in the second paragraph of Interpretation W-57. The reasoning is as outlined by you.

"Your second question is receiving consideration, and you will be advised with respect to the matter as soon as possible."

Approved unanimously.

Letter to Mr. F. P. Kearney of the Collection Department of the Associates Discount Corporation, Washington, D. C., reading as follows:

"Receipt is acknowledged of your letter of February 10, 1942 inquiring as to the effect of Regulation W upon a contract of sale of an automobile made to a husband and wife at a time when the husband had been released from the Army and put in the Reserves because he was over 28 years of age. He has since been recalled to active duty.

"Section 8(a) of the Regulation, a copy of which is enclosed, provides that the company to which the payments are due may take 'any action that it shall deem necessary in good faith, (1) with respect to any obligation of any member of the armed forces of the United States incurred prior to his induction into such service,' and this would apply to a member of the Reserves who was called to active duty after making the contract.

"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 Richmond, Richmond, Virginia."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

Donald J. Johnson
Vice Chairman.