

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 2, 1942, at 2:30 p.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 27, 1942, were approved unanimously.

Telegram to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment by that Bank, without change, on February 27, 1942, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter dated February 28, 1942, prepared for the signature of Chairman Eccles, to Senator Millard E. Tydings, reading as follows:

"Reference is made to the inquiry contained in your letter of February 24 in circular form without address, to which was attached a copy of Senate Resolution 223.

"The work of this organization is under the direction of the Board of Governors of the Federal Reserve System established pursuant to the Federal Reserve Act as amended, the members of which are appointed by the President and

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"confirmed by the Senate. Aside from the few persons who are attached to the immediate offices of the Board members, the Board's organization as a whole is divided among six divisions and the office of the Board's Fiscal Agent, at the head of each of which is a member of the Board's staff. The names of these staff heads, together with the information called for in the first paragraph of your letter, are as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Home Address</u>
Chester Morrill,	Secretary of the Board	\$15000	3908 Ingomar St., N. W.
Walter Wyatt,	General Counsel	15000	1702 Kalmia Road, N. W.
E. A. Goldenweiser,	Director, Division of Research & Statistics	15000	5914 Cedar Parkway, Chevy Chase, Md.
Leo H. Paulger,	Chief, Division of Examinations	15000	2836 Chesapeake St., N. W.
E. L. Smead,	Chief, Division of Bank Operations	15000	3706 Fordham Road, N. W.
Carl E. Parry,	Chief, Division of Security Loans	12000	4000 Cathedral Ave., N. W.
Oliver E. Foulk,	Fiscal Agent	4800	1530 Spring Place, N. W.

The business address of each of the above-named is Federal Reserve Building, 20th and Constitution Avenue, N. W.

"The number of employees working under each of the above named persons in the Board's organization is as follows:

Secretary's Office	183
Office of the General Counsel	29
Division of Research and Statistics	117
Division of Examinations	55*
Division of Bank Operations	42
Division of Security Loans	8
Office of the Fiscal Agent	1

*including 18 field men

"It is assumed that the word 'grade' in your letter is intended to mean the grade under the Government classification system, which does not apply to members of the Board's staff and for that reason is not stated.

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"The Board of Governors does not receive any appropriations from Congress. Its necessary expenses are met through assessments against the Federal Reserve Banks. It has been the policy of the Board to rely as far as possible upon the facilities of the Federal Reserve Banks and to maintain in its own organization only such number of persons as may be required for the performance of its own functions. Consequently, it has a very small organization, consisting at the present time of only 462 people. It has no surplus employees. On the contrary, it has suffered, particularly within the last year, from a very high rate of turn-over due not only to the fact that a number of employees have gone into military service but also to the fact that a number of other employees, particularly in its technically trained groups, have gone to other agencies of the Government in activities closely related to the defense program. It has not been able to replace all of these losses with persons of equal calibre and on the other hand it has been confronted with increased responsibilities, among them being the regulation of consumer credit under the Executive Order of August 9, 1941; cooperation with the armed services and the War Production Board in relation to defense contracts; cooperation with the Treasury in the field of fiscal policy, including studies of taxation and financing programs; and post-war readjustment problems from a monetary standpoint, including Canadian-United States economic relations, the proposed Inter-American Bank, and a revision of the currency system and banking organization of the Republic of Cuba."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of February 24, the Board approves the designation of M. E. Ratkie and Joe R. Euans as special assistant examiners, with the understanding of course that they will not be transferred permanently to examination work without the Board's approval. The latter named is instead of John R. Euans, the name submitted in your letter of February 6 and which you state was not correctly given.

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"As requested, the name of George E. Keck has been removed from the list of approved special assistant examiners of your bank."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of your Bank and Branches as requested in your letter of February 19, 1942.

"In order to preserve the numerical sequence of the pages of your plan, new pages numbered 29, 30, and 31 have been prepared which will be placed in the Board's copy of your plan to replace the pages made obsolete through the cancellation of certain positions at the Salt Lake City Branch. Duplicate copies of these pages are enclosed for your use.

"When submitting future changes in your personnel classification plan which involve the cancellation of page numbers, it will be appreciated if pages similar to the ones enclosed are forwarded to the Board."

Approved unanimously.

Letter to the board of directors of "The Westminster Savings Bank", Westminster, Maryland, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond.

Approved unanimously, for transmission through the Federal Reserve Bank of Richmond.

Letter to the board of directors of the "Chicago City Bank

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and Trust Company", Chicago, Illinois, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$71,431.44 as shown in the report of examination of such bank as of January 12, 1942, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Chicago City Bank and Trust Company', Chicago, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"There is, of course, one outstanding feature of the bank which calls for close attention, that of the low capital ratio, which, however, is offset to some extent by the character and composition of the bank's assets. It has been noted that the management will be continually urged to retain earnings and otherwise consider means of increasing the capital structure until it is more commensurate with the deposit liability. In view of the fact that, despite the suggestions of the State Department and the F.D.I.C. that earnings be conserved, the dividends were increased in 1940 and again

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"In 1941, it is suggested that you have a definite understanding with the bank as to its dividend policy. It is suggested, also, that the bank's attention be called to the fact that condition of membership numbered 2 is a continuing condition and that if the capital can't be built up adequately through recoveries and conservation of earnings, the bank will be expected to provide additional capital from other sources.

"In this connection the affiliated Mutual National Bank seems to be in about the same position with respect to capital. Since the relationship between the banks is so close and their capital positions are so similar, the Reserve Bank no doubt will work closely with the office of the District Chief National Bank Examiner as to the measures which should be taken by the two banks.

"According to information submitted with the application, the bank has made it a policy not to make any loans to officers or employees, any such loans being made by the Chicago City Investment Company, an affiliate by reason of the fact that all of the stock of the company is held by nominees for the bank. According to the report of examination of the bank, the amount of loans made by the company to officers of the bank is small. Nevertheless, it is believed that the bank's attention should be called to the fact that, in order to conform to the spirit of the law, loans made by the affiliate to executive officers of the bank should conform to the provisions of section 22(g).

"It appears from the Reserve Bank's memorandum submitted with the application that, after careful consideration and review, the Reserve Bank feels that the practice of the bank with respect to the sale of mortgages is not inconsistent with the provisions of standard condition of membership numbered 3. During the year 1941, according to the report of examination, the bank sold without recourse 106 mortgages totaling \$286,000, exclusive of F.H.A. Title II loans. Even if such sales were made without solicitation and as accommodation to the bank's customers, the volume alone makes it a border line question as to whether such sales would be in conformity with the conditions of membership. It is assumed that the Reserve Bank will have this situation in mind and follow it closely to see that the bank's practices do not result in a violation of condition of membership numbered 3.

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"It is assumed that you will follow the matter of the bank's bringing the savings accounts listed on page 16(1) of the report of examination for membership into conformity with the provisions of law and the Board's regulations."

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

"Under provisions of subsection (a) of Section 3 of Regulation D, as revised effective February 28, Board approves weekly reserve computation period ending on Friday for all central reserve and reserve city banks."

Approved unanimously.

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

"In response to a suggestion from one of the Federal Reserve Banks, Board herein supplies text of a summary of Amendment No. 3 to Regulation W which may be sent to registrants along with copies of amendment if you wish to do so.

'Summary of principal provisions of Amendment No. 3 to Regulation W. The standard maturity is reduced from 18 to 15 months for all credits subject to the regulation, except credits for building modernization, plumbing, furnaces, water heaters, water pumps, and pianos, all of which may still be for 18 months.

'The down payments are increased from 20 per cent to 33-1/3 per cent on refrigerators, washing machines, ironers, vacuum cleaners, electric dishwashers, room unit air conditioners, sewing machines, radios and phonographs, and musical instruments. On home air conditioning systems and attic ventilating fans, the down payments are increased from 15 per cent to 33-1/3 per cent, and on furnaces, water heaters, water pumps and plumbing, from 15 per cent to 20 per cent.

'The following articles are added to the list, with 33-1/3 per cent down payment required: bicycles, lawn mowers, silverware (flatware and hollow-ware, whether solid or plated) and photographic equipment. The following are added to the list, with 20 per cent down payment

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"required: clocks, watches and floor coverings. Persons who become subject to the regulation on and after March 23 because of the addition of articles to the list are given until June 1 to register. Prior to June 1 they are granted a general license.

'On and after April 1 the credit value of a used automobile, instead of being based solely upon the purchase price, is to be based upon the purchase price or the average retail value as stated in such automobile appraisal guides as may be designated by the Board, whichever is lower.'

"Later in week Board will send for your information the text of a press statement to be released by Board to the press not earlier than for morning newspapers on Monday, March 9."

Approved unanimously.

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

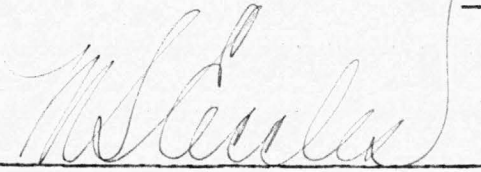
"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 14, 1941, for the printing of Federal Reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of San Francisco:

Denomination	Number of sheets	Amount
\$10	500,000	\$60,000,000
20	250,000	60,000,000"

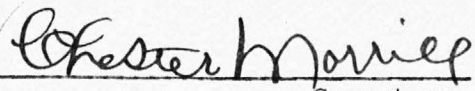
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



 Chairman.



 Secretary.