

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 3, 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 March 2, 1942, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on March 2, 1942, were approved unanimously.

Bond in the amount of \$10,000, executed under date of February 26, 1942, by John M. Ashley as Assistant Federal Reserve Agent at the Federal Reserve Bank of Dallas.

Approved unanimously.

Memorandum dated February 27, 1942, from Mr. Nelson, Assistant Secretary, recommending that Timothy Swett and Clifford B. Myers be appointed as guards in the Secretary's Office on a temporary basis for an indefinite period, each with salary at the rate of \$1,380 per annum, effective as of the date upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical

3/3/42

-2-

examination, with the understanding that if their work is satisfactory during the first six months of their appointment further recommendations will be submitted that their salaries be increased to the rate of \$1,500 per annum.

Approved unanimously.

Memorandum dated February 27, 1942, from Mr. Nelson, Assistant Secretary, recommending (1) that J. J. Yilek, a guard, be promoted to the position of supply clerk in the Secretary's Office on a temporary basis for an indefinite period, with an increase in his salary from \$1,380 to \$1,500 per annum, effective March 16, 1942, and (2) that Mabron H. Hixson be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 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, with the understanding that if his work is satisfactory during the first six months of his appointment a further recommendation will be submitted that his salary be increased to \$1,500 per annum.

Approved unanimously.

Memorandum dated February 26, 1942, from Mr. Parry, Chief of the Division of Security Loans, recommending, with the concurrence of Mr. Goldenweiser, Director of the Division of Research and Statistics, that George W. Blattner, Special Statistician in the latter Division,

3/3/42

-3-

be transferred to the Division of Security Loans as Special Assistant, that his appointment be extended for one year from March 28, 1942, the date of the expiration of his present temporary appointment, and that his salary be continued at the rate of \$5,000 per annum.

Approved unanimously.

Memorandum dated February 28, 1942, from Mr. Wyatt, General Counsel, recommending that the salary of Miss Margaret Muehlhaus, a stenographer in the Office of General Counsel, be increased from \$1,740 to \$1,800 per annum, effective April 1, 1942.

Approved unanimously.

Memorandum dated February 20, 1942, from Mr. Wyatt, General Counsel, recommending that, because of approaching confinement, Mrs. Clara A. Hutchinson, a stenographer in the Office of General Counsel, be granted leave of absence without pay from noon on September 21 (when her accumulated and current accrued annual and sick leave will have been exhausted) to September 30, 1942, inclusive. The memorandum stated that, in accordance with the Board's general policy on confinement cases adopted November 10, 1941, Mrs. Hutchinson informed Mr. Wyatt more than five months before her expected confinement, that she discontinued work at the close of business on February 28, 1942, four months prior to the expected confinement, and that the three-month period of absence following confinement should end on September 30, 1942. The further recommendation was contained in the memorandum



3/3/42

-4-

that the Board continue its contributions to the retirement system on behalf of Mrs. Hutchinson for the period of leave of absence without pay and that she be permitted to continue her own contributions during the same period.

Approved unanimously, with the understanding that in accordance with the policy adopted on November 10, 1941, Mrs. Hutchinson's reemployment will not take place automatically but only after review of the situation by the Board upon recommendation of the division head.

In connection with this action, Mr. Ransom, who had voted against the policy adopted by the Board with respect to confinement leave of absence, stated that he was still opposed to the policy.

Memorandum dated March 2, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Miss Patricia A. McDonald as a clerk in that Division, to become effective as of the close of business on March 1, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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 February 26, the Board approves the designations of R. P. Wilson and T. V. Varnadoe 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 Board approves also the designations of Marvin L. Miller, Jesse Hooper, and Stuart Magee, employees of the Nashville Branch, as

3/3/42

-5-

"special assistant examiners in order that their services may be used on the forthcoming examination of the Commerce Union Bank of Nashville."

Approved unanimously.

Letter to Mr. Nardin, Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the recommendation contained in your letter of February 24, 1942, the Board of Governors approves the payment of a salary to Mr. Alfred C. Kearschner, Alternate Assistant Federal Reserve Agent, at the rate of \$1,680 per annum, effective March 1, 1942."

Approved unanimously.

Letter to "The First National Bank of Sparta", Sparta, Illinois, reading as follows:

"This refers to the resolution adopted on May 27, 1941, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never actually accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private

3/3/42

-6-

"or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act, except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

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

"In response to an inquiry from one Federal Reserve Bank with reference to Automobile Appraisal Guides under Part 3(b)(2) of Supplement to Regulation W, Board will not be able to inform the Reserve Banks of the guides to be designated in time to enable the Banks to mail such information to registrants along with Amendment No. 3. By deferring effective date of paragraph (b) of Part 3 to April 1, Board left to itself reasonable time to consider individual guides and reach a decision on designations. As soon as possible full information will be given to Reserve Banks. Registrants might be induced to withhold their questions in this connection if at the time of mailing copies of Amendment No. 3 you would advise registrants according to tenor of this wire."

Approved unanimously.

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

"Receipt is acknowledged of your letter of February 18 containing two inquiries regarding clause (2) at the end of section 8(a) of Regulation W, dealing with obligations which are in default.

"In the first case, the finance company repossessed the automobile, but before it was sold at public auction the customer advised the finance company that he could pay the remaining balance if the payments were reduced.

"In the second case, the car was repossessed and sold at public auction, the finance company being the purchaser. Thereafter the customer made a similar statement, and the finance company wishes to reinstate the deal and let him



3/3/42

-7-

"have the car without a one-third down payment.

"You state that you agree with the Registrant that, in the first case, section 8(a)(2) would permit the Registrant to revise the contract by reducing the payments if the Registrant in good faith deemed such action necessary for its own protection. The Board agrees with you. The Board is of the opinion that the Registrant may also reinstate the contract in the second case, since the Registrant is not making a new sale to a third party but is still in effect dealing with the defaulted obligation."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Honorable D. W. Bell, Under Secretary of the Treasury, reading as follows:

"Receipt is acknowledged of your undated letter received Monday, March 2, 1942, in which you state that in view of the military situation in Hawaii it is deemed advisable to make provision at once for the complete destruction of considerable amounts of currency in Hawaii, some of which would be destroyed as soon as suitable arrangements for such destruction can be made and further amounts would be destroyed later as the urgency of the situation may demand in order to prevent such currency from falling into the hands of enemies of the United States. You further state that the Treasury contemplates sending one or two representatives of the Department to Hawaii, who will be authorized to receive from banks in Hawaii deposits of United States currency and Federal Reserve notes, and that a destruction committee of not less than three members will be appointed to have charge of the destruction of currency.

"The procedure set forth in your letter and the accompanying memorandum entitled 'Treasury Custody and Destruction of Currency and Securities in Hawaii' have been reviewed and the Board concurs in the procedure set forth therein for the destruction in Hawaii of Federal Reserve notes and Federal Reserve Bank notes."

Approved unanimously.

Memorandum dated March 3, 1942, from Mr. Wyatt, General Counsel,

3/3/42

-8-

recommending that there be published in the March issue of the Federal Reserve Bulletin a statement in the form attached to the memorandum with respect to advances on Government obligations.

Approved unanimously.

Thereupon the meeting adjourned.

Chester M. Brown  
Secretary.

Approved:

W. S. Eccles  
Chairman.