

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 9, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. McKee  
Mr. Draper

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter 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 5, 1942, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 6, 1942, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated March 4, 1942, from Mr. Nelson, Assistant Secretary, recommending that Alvin C. Walters, secretary to Governor McKee, be granted leave of absence beginning March 2, 1942, so that he might enter active duty with the United States Coast Guard Reserve, that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service, except the payment of one month's unearned salary, and that he be continued on the pay roll until the

3/9/42

-2-

expiration of his 64 days of accumulated and current accrued leave. The memorandum stated that Mr. Walters would not be a member of the retirement system for the period beginning March 2 and ending when he returned to active duty with the Board.

Approved unanimously.

Memorandum dated March 7, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of C. W. Spargo as a chauffeur in the Secretary's Office, to become effective as of the close of business on March 8, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of March 3, 1942, enclosing a copy of a letter from Mr. Charles A. Post, President of the Citizens Savings Bank, Providence, Rhode Island, regarding the status under section 32 of the Banking Act of 1933 of one of the trustees of that bank in the event that it should become a member of the Federal Reserve System.

"You have undoubtedly covered the matter fully in your conversations with Mr. Post, but a brief mention of the background of section 32 is probably the best way of explaining the scope of its provisions. The Banking Act of 1933 was the outgrowth of the Congressional investigation of the 1929 stock market crash, and one of the principal purposes of the Act was to divorce commercial and investment banking. Securities affiliates of member banks were prohibited, and a similar divorcement was required with respect to personnel.

3/9/42

-3-

"When section 32 was first enacted, it contained a provision authorizing the Board to issue permits in individual cases, and after full consideration the Board decided that in issuing or withholding a permit, it should be governed not by its opinion as to the character of the particular applicant, but rather by the nature of the interlocking relationship, and should deny applications in all cases where the relationship was of a kind contemplated by the statute, since in all such relationships there was a conflict of interests and a danger that the applicant might be placed in the position of trying to serve two masters.

"The statute was later amended so as to take away the power to grant individual permits, and the Board was authorized to make exceptions only by regulations of general applicability. Mr. Post understands this, and suggests that the Board make an exception in the case of trustees of mutual savings banks. However, the Board does not believe that the conditions at which section 32 was directed are less apt to exist in the case of a mutual savings bank than in the case of other banks which might become members of the Federal Reserve System, and therefore it does not feel that it would be justified in making an exception of this kind.

"As stated above, it is probable that this letter adds little to the explanation which you have already given to Mr. Post, but it is hoped that Mr. Post will understand the basis for the Board's views, and also that he will understand that his suggestion has received the most careful consideration."

Approved unanimously.

Letter dated March 7, 1942, to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Upon receipt of your letter of February 6, 1942, with reference to the withdrawal of savings deposits for the purpose of purchasing defense bonds, we addressed letters to the Comptroller of the Currency and the Federal Deposit Insurance Corporation which contained excerpts from your letter and stated that we would appreciate any comments which they might care to make. We have now received replies from both agencies.

3/9/42

-4-

"Mr. Francis C. Brown, Solicitor of the Federal Deposit Insurance Corporation, advises that in their opinion the problem presented is primarily one of Treasury financing and that they have advised the Under Secretary of Treasury, Mr. Bell, that the corporation would be glad to cooperate if the Treasury officials feel that an amendment to the interest regulations is necessary to facilitate defense bond sales. He also states that they recognize that there may be instances where banks may waive notice requirements in violation of the applicable interest regulations but they do not understand that this practice has become widespread to date or that it constitutes a serious problem.

"Mr. Upham, Deputy Comptroller of the Currency, advises that an inquiry was received from Mr. John J. McGarry, Regional Director, Field Workers Organizing Committee, stating that the Donora SWOC Local Union wished to withdraw certain savings deposits from the Union National Bank of Donora in order to purchase savings bonds without giving notice; that, after consideration of the question it was felt that 'pending a determination of whether or not the pertinent regulations should be amended' it would be wise not to be inflexible as to the interpretation and administration of the regulations in cases of this character; that the matter was discussed with Mr. Binns, President of the Union National Bank of Donora; that wire advice was given Mr. Binns on January 7, 1942, that no objection would be made by the Comptroller's Office if withdrawals of savings accounts without notice were permitted for the purpose of purchasing defense savings bonds only. Mr. Upham also advises that in the case of perhaps a half dozen national banks whose inquiries came to his office reply was made that the Comptroller's Office would interpose no objection to the immediate payment of savings deposits for the purpose of purchasing defense savings bonds. Mr. Upham indicates that the Board's telegram S-408, dated December 17, 1941, did not come to his attention until shortly after the incident mentioned and he states that since that time no national bank has been told that it can permit withdrawals of this kind without objection from the Comptroller's Office.

"As you know, on each occasion when the question of amending Regulation Q to meet this situation has been under

3/9/42

-5-

"consideration it has been discussed informally with the Treasury Department and it has not been felt up to this time that it would be advisable to take such action. So far as the Board is advised, questions relating to this matter have arisen in relatively few sections of the country and, in view of Mr. Upham's letter stating that it is no longer the practice of the Comptroller's Office to advise that withdrawals of the kind in question can be permitted, it is hoped that any difficulties growing out of this situation may be reduced to a minimum."

Approved unanimously.

Letter dated March 7, 1942, addressed to the publishers of certain used-car appraisal guides, reading as follows:

"Amendment No. 3 of the Board's Regulation (a copy of which is enclosed) includes in Part 3(b) of the Supplement a new provision, effective on and after April 1, 1942, with respect to used car appraisal guides. The Board desires to obtain certain information as set forth below, regarding the used car appraisal guide or guides published by your organization, to supplement the material already in the Board's files for use in determining the basis on which the various guides will be designated by the Board for the purpose of Regulation W.

"It will be helpful if the requested information reaches the Board in Washington not later than Friday, March 13. The information desired is as follows:

"1. The exact name of the appraisal guide or guides published by your organization which in your opinion reflect the estimated average retail values of used automobiles in one or more localities, along with an exact statement of the territory in which, in your opinion, such guide (or each such guide if you publish more than one) reflects such values.

"2. An indication of the dates on which issues are planned during the remainder of the year 1942 and the dates within which each issue is to be effective. (This is not meant as a request for a definite commitment but merely an indication of the publisher's present intentions).

"3. A statement of the circulation of the latest issue of each such publication, indicating (1) the number

3/9/42

-6-

"of subscribers in each state and (2) the total number of copies subscribed for in each state.

"It is suggested that you also indicate the name of the person in your organization to whom the Board should address any further communications with respect to designations for purposes of Regulation W.

"In the event that you wish to bring to the Board's attention any information regarding your publication in addition to the information called for above, the Board requests that you submit it promptly in writing. The Board hopes to make designations in time to announce them by March 21. Publishers desiring further information with respect to this subject should write or wire the Board at Washington.

"Your cooperation in connection with this matter will be appreciated."

Approved unanimously.

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

"This will acknowledge your letter of February 11 in which you discussed a number of problems which have arisen in connection with the handling of Registration Statements under Regulation W.

"As to the Registration Statements which your bank is holding because you have not been able to obtain from the Registrants answers to your inquiries as to whether they sell listed articles, it is the opinion of the Board that such persons, if they have filled out and submitted a Registration Statement in accordance with the requirements, are Registrants within the meaning of section 3 of Regulation W regardless of whether or not they do any business in listed articles. In view of this fact it would not seem desirable that the Registration Statements filed by such persons be returned to them. On the other hand there is no necessity of issuing a Registration Certificate to such persons as long as the information obtained from them is incomplete.

"You also discussed several questions relating to the enforcement of the regulation, including the question of Registrants who have wilfully or negligently failed to answer all the questions and the question of persons who

3/9/42

-7-

"were required to register but have not done so. Consideration is now being given to these along with the various other problems involving enforcement, and you will receive further advice on the subject in due course. In the meantime, however, it would not seem desirable to issue Registration Certificates to Registrants whose statements did not include all the information required by the form and its instructions and who have not answered your follow-up letters.

"We have noted your description of the information which your bank is recording with respect to Registrants having branches located in other Federal Reserve Districts. The compilation and interchange of this information appears to be desirable, and probably necessary for the thorough and efficient enforcement of the regulation, but the Board has not determined any policy with respect to the interchange of such information among the Reserve banks. Possibly the most desirable procedure on this point would be for your bank to forward to the other Federal Reserve Banks copies of the lists indicating the branches in their districts reported by Registrants in your district, indicating your desire to receive from the other Reserve banks, when available, similar lists showing branches located in the Cleveland District. In addition to the interchange of information regarding branches, there are two other kinds of cases on which it may be desirable, in due course, to have information interchanged among the Federal Reserve Banks, one consisting of the cases in which a corporation registering in one District reports that it is controlled by a company located in another District, and the other consisting of cases in which a firm or corporation registers in a given District where its corporate office is located but has its actual place of business in a different District. It would seem desirable that information on any cases of this latter kind be interchanged among the Reserve banks, along with any reports on branches.

"Any comments which you care to make regarding the foregoing suggestions, or any suggestions which you care to make regarding action that you think the Board ought to take in these matters, will be most welcome and will be given the most careful attention."

Approved unanimously.

3/9/42

-8-

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. ...  
Chairman.