

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 17, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Draper
Mr. Evans

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 16, 1942, were approved unanimously.

Memorandum dated March 11, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the indefinite temporary appointment of Guy E. Greer as a Senior Economist in that Division be extended for a further indefinite period - probably another year - with no change in his present salary at the rate of \$6,000 per annum.

Approved unanimously.

The following resolution was adopted by unanimous vote:

"Resolved, that, effective March 20, 1942, subsection (b) of section 2 of Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks, be amended to read as follows:

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"(b) Advances on Government obligations. - Any Federal Reserve Bank may make advances, under authority of section 13 of the Federal Reserve Act, to any of its member banks for periods not exceeding ninety days⁶ on the promissory note of such member bank secured by direct obligations of the United States, and for periods not exceeding fifteen days on the promissory note of such member bank secured (1) by the deposit or pledge of debentures or other such obligations of Federal Intermediate Credit banks having maturities of not exceeding six months from the date of the advance, or (2) by the deposit or pledge of Federal Farm Mortgage Corporation bonds issued under the Federal Farm Mortgage Corporation Act and guaranteed both as to principal and interest by the United States, or (3) by the deposit or pledge of Home Owners' Loan Corporation bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and guaranteed both as to principal and interest by the United States.

"6/ The eighth paragraph of section 13 of the Federal Reserve Act authorizes advances to member banks for periods not exceeding fifteen days secured by bonds, notes, certificates of indebtedness, or Treasury bills of the United States. However, the last paragraph of section 13 authorizes any Federal Reserve Bank to make advances for periods not exceeding ninety days 'to any individual, partnership or corporation' on the promissory notes of such individual, partnership or corporation secured by 'direct obligations of the United States'; and the term 'corporation' includes an incorporated bank."

In connection with this action, it was understood that the letter to the Presidents of the Federal Reserve Banks advising them of the amendment would contain the following paragraphs:

"This amendment makes no change of substance in the Regulation. Its sole purpose is to rephrase the above paragraph of the Regulation in order to make it clear that under the law the Federal Reserve Banks are authorized to make advances to their member banks for periods not exceeding 90 days on the promissory notes of such member banks secured by direct obligations of the United States.

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"It will be appreciated if you will bring this amendment to the attention of all member banks in your district. There is enclosed herewith a copy of a press statement regarding this amendment which will be released by the Board for publication in the morning newspapers of March 20, 1942."

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

"Receipt is acknowledged of your letter of March 11, 1942, regarding an apparent violation of the criminal provisions of the banking laws of the United States by a Mr. Lowe, formerly a bookkeeper of the First State Bank, Aransas Pass, Texas.

"You state that in view of the vague and indefinite information furnished by the examiner you are not filing a detailed report of this matter with the United States Attorney but that if the Board should deem it advisable, your bank will file such a report upon receipt of instructions to that effect.

"We do not wish to give any instructions as to whether the matter referred to in your letter should be reported to the United States Attorney, but it is assumed that your bank will handle the matter in accordance with the procedure outlined in the Board's circular letter of July 8, 1937 (S-12), which authorizes Federal Reserve Banks to exercise discretion in the matter of reporting misdemeanors to the appropriate United States Attorney or local office of the Federal Bureau of Investigation."

Approved unanimously.

Letter to The Attorney General, reading as follows:

"The bill H.R. 6269 to amend the Foreign Agents Registration Act of 1938 was vetoed by the President on February 9, 1942, with the request that the bill be revised to meet the changed conditions resulting from the entry of this country into the war.

"The Board of Governors has received a letter from the President of the Federal Reserve Bank of New York in which he states that if it appears likely that further

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"action will be taken on H.R. 6269, it seems desirable that the bill be amended so as to make clear that the Foreign Agents Registration Act of 1938, as proposed to be amended by H.R. 6269, will not require banks to file registration statements as 'agents of foreign principals'. With his letter he submitted copies of a memorandum prepared by Counsel for the Bank on this subject, and there is enclosed a copy of this memorandum for the consideration of your office.

"The enclosed memorandum points out that H.R. 6269, in the form in which it was passed by the House and Senate and vetoed by the President, might be held to affect banks performing purely banking services for foreign depositors and customers. The reports of the committees of Congress on the bill, however, indicate that it was not the intention to enlarge the scope of the existing Foreign Agents Registration Act. In the circumstances, if the bill is to be the subject of further action, it is hoped that favorable consideration may be given by your office to the suggestion of the Federal Reserve Bank of New York and that an amendment to effect the clarification suggested may be included in the bill."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.