

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 24, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
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 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 23, 1942, were approved unanimously.

Memorandum dated March 20, 1942, from Mr. Nelson, Assistant Secretary, recommending that Joseph E. Scott 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.

Approved unanimously.

Memorandum dated March 20, 1942, from Mr. Nelson, Assistant Secretary, recommending that, because of approaching confinement, Mrs. Rose S. Freeman, a clerk in the Correspondence and Publications Section

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of the Secretary's Office, be granted leave of absence without pay from May 26, 1942 (when her accumulated and current accrued annual and sick leave will have been substantially exhausted), for approximately six months, in accordance with the Board's policy on confinement cases adopted November 10, 1941. The memorandum stated that, inasmuch as Mrs. Freeman was a member of the Civil Service Retirement System, it would not be necessary for the Board to make any contributions to the retirement system on her behalf.

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

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.

Letter to the board of directors of the "Prattsburgh State Bank", Prattsburg, New York, stating that, subject to conditions of membership numbered 1 to 3 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 New York:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses aggregating \$5,962, as shown in the report of examination of

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"such bank as of December 1, 1941, made by an examiner for the Federal Reserve Bank of New York."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Prattsburgh State Bank', Prattsburg, New York, 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 Superintendent of Banks for the State of New York for his information.

"It has been noted that there is a recognized weakness in the active management and that steps are being taken to strengthen the situation. It is assumed that the Reserve Bank will, of course, follow the case closely until the management question has been satisfactorily resolved."

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

"Supplementing my wire March 21 regarding advisability of regulating open credits under Regulation W, it will be appreciated if you will consider an additional question to be designated 5 G as follows: Would you favor as an alternate plan the freezing of all outstanding consumer credit with provision for gradual reduction over a limited period of time? If you would favor such a plan, would there be any types of credit which you would except from the required reduction? Do you think conditions at the present time would warrant reducing such outstanding indebtedness percentagewise month by month? If your answer to this would be no, then what conditions do you think would warrant such action?"

Approved unanimously.

Telegram to Mr. G. A. Leukart, General Manager of the National Used Car Market Report, Inc., Chicago, Illinois, reading as follows:

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"Re wire to Dembitz, Board will gladly consider data supporting requested additional designations."

Approved unanimously.

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

"This refers to your letter of February 4, 1942, in which you state you have given a good deal of thought to the matter of requiring national banks to report a net figure of 'due to' and 'due from' other banks and that you contemplate making the necessary change in your call report instructions to effect that change, and ask for any views the Board may wish to present bearing on this proposal.

"The Board has had this matter reviewed, from the standpoint of both the call report and the weekly reports submitted by member banks in 101 leading cities, and has concluded that it would be desirable to have all member banks report reciprocal demand balances net when they are between banks in the United States (except private banks and American branches of foreign banks). So far as we know, there are no statistics to show whether there are any reciprocal time balances between member banks and banks in foreign countries, but it does not seem to the Board that it is necessary to show any such balances net even if they do exist. As you know, also, such balances are not deductible from deposits in computing reserve requirements.

"There is enclosed a copy of the Board's form F.R. 105 used by State bank members in submitting condition reports, on which changes have been indicated in red which the Board would like to see made upon the adoption of the change in method of reporting, and a copy of the short form used on Spring and Fall calls, on which similar changes have been indicated. There is also enclosed a draft of instructions which we propose to include in the call report letter if it is decided that the reciprocal balances should be reported net.

"It will be appreciated if you will advise the Board whether you concur in the procedure set forth herein and in the enclosures and, if so, whether you will find it

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"convenient to make the change effective for the next call reports.

"A copy of this letter, and its enclosures, has been forwarded to the Federal Deposit Insurance Corporation."

Approved unanimously.

Memorandum dated March 23, 1942, from Mr. Wingfield, Assistant General Counsel, recommending that there be published in the April issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Purchase of Government Obligations  
Amendment to Section 14(b), Federal  
Reserve Act

Advances on Government Obligations  
Amendment to Regulation A

Reserves  
Balance in "Differential Account"  
Set Up Upon Purchase of Instalment  
Paper

Consumer Credit  
Interpretations of Regulation W

Censorship  
Communications Ruling Issued by  
Director of Censorship

War Relocation Authority  
Executive Order Establishing Office

Alien Property Custodian  
Executive Order Establishing Office  
Temporary Delegation of Powers to the  
Secretary of the Treasury

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Foreign Funds Control  
Special Regulation Issued by the Fed-  
eral Reserve Bank of San Francisco  
as Fiscal Agent of the United States  
General Rulings, General Licenses,  
Public Circulars and Public Inter-  
pretations Issued by the Secretary  
of the Treasury

Approved unanimously, with the un-  
derstanding that the statement with ref-  
erence to the amendment to section 14(b)  
of the Federal Reserve Act contained in  
the Second War Powers Act would be in-  
cluded only if the President signed the  
bill before publication of the April  
Bulletin.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. B. ...  
Chairman.