

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, March 26, 1942, at 3:00 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

Chairman Eccles stated that today the President signed the Executive Order which was discussed at the meeting on March 20, 1942, and which would authorize the Federal Reserve Banks to act as fiscal agents of the United States in connection with loans guaranteed or made by the War and Navy Departments and the Maritime Commission to finance contracts to facilitate the prosecution of the war, and that consideration should be given to the kind of organization to be established by the Board in order to carry out its responsibility for supervising the activities of the System as contemplated by the Order.

In this connection, Mr. Draper stated that the following telegram had already been sent to the Federal Reserve Banks:

"The President has today signed an Executive Order authorizing Federal Reserve Banks, under supervision and regulation of the Board of Governors, to act as agents for the War Department, Navy Department, and Maritime Commission to guarantee loans made by financial institutions to contractors, subcontractors and others engaged in war production or as such agents to make loans, advances or commitments to such persons engaged in war production.

"The Executive Order will be implemented by directives issued by the three arms, in the preparation of which the Board expects to have the opportunity to participate.

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"It is considered urgent that a conference be held in Washington at the earliest practicable date to outline the organization and procedure for handling this new function. It is requested that you send to this conference the officer whom you expect to designate to have immediate supervision over this work at your Bank.

"Conference has been set for 9 A.M., Monday, March 30. Please wire who will attend.

"A copy of the Executive Order and press release will follow immediately."

Chairman Eccles suggested that when the conference with the representatives of the Federal Reserve Banks is held a draft of a regulation and the instructions to be given by the Board to the Federal Reserve Banks should be ready for discussion and that a definite procedure to be followed by the System should be determined upon as soon as possible, with the understanding, of course, that it would be subject to change on the basis of experience. It was stated that a draft of regulation and instructions were being prepared and would be ready for the conference on March 30.

Chairman Eccles then presented a memorandum which he stated contained the joint recommendation of Mr. Draper and himself with respect to the organization to be set up in the Board's offices as being necessary, at least in the beginning, to insure the proper functioning of the System under the program agreed upon. The memorandum was in the following form:

"To supervise the activities of the Federal Reserve System as fiscal agent for the War Department, Navy Department, and Maritime Commission under Executive Order No. , it is proposed that there be a committee of

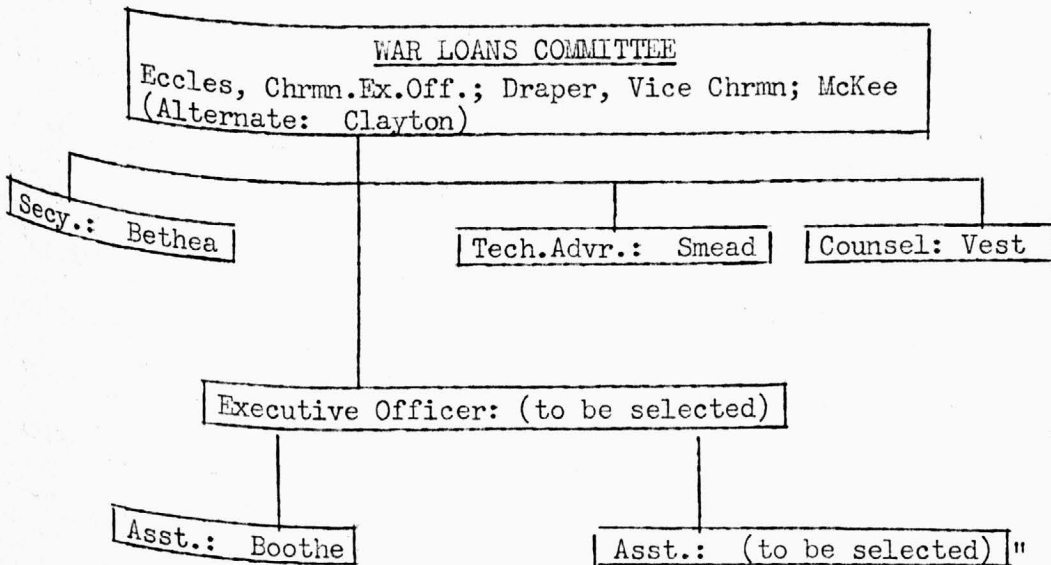
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"the Board of Governors to be designated the War Loans Committee. The committee shall consist of the Chairman of the Board as ex officio Chairman; Governor Draper, Vice Chairman of the committee; Governor McKee as the third member.

"In order that the Board members on the committee can limit their functions to those of a supervisory and policy-making nature, the committee shall appoint an Executive Officer, who will devote his full time to the matters under the jurisdiction of the committee. The committee shall also have a Secretary, Mr. Bethea; a Technical Adviser, Mr. Smead; and Counsel, Mr. Vest. The Executive Officer will be appointed from outside the Board's organization, preferably a man with experience in loans to industry. He shall have one or more assistants, including a liaison assistant between the Banks and the armed services, Mr. Boothe.

"The committee, under the general direction of the Board of Governors, will meet whenever necessary to receive reports from the Executive Officer or other members of its staff and shall recommend to the Board such actions as are necessary to be taken by the Board to implement the Executive Order above referred to. This will include, among other duties, the preparation and submission of a regulation, the appointment of necessary personnel in Washington, and the approval of the field organization at the Federal Reserve Banks. In view of the other duties of the members of the committee as members of the Board of Governors, a smooth-working and energetic staff is necessary so as to reduce the number of meetings of the committee and relieve the members of detail.



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In the ensuing discussion, Mr. Ransom suggested that if the executive officer contemplated in the memorandum were employed his title should be Administrator instead of Executive Officer. Messrs. Eccles and Draper concurred in this suggestion.

Mr. McKee stated that the System had no responsibility under the Executive Order until requested by the War or Navy Department or the Maritime Commission to act as agent, and he questioned whether the Board should undertake to set up an organization until it was determined what procedure the services would desire to follow. Mr. Eccles said that it was clear from the discussions which had been had with representatives of the services that, because of the close contact of the Federal Reserve Banks with commercial banks throughout the country and their standing in their respective communities, the services were anxious to have the Federal Reserve Banks act as agents in guaranteeing loans, which it was expected would be made largely by the commercial banks, that an organization somewhat along the lines suggested would be necessary to keep in touch with the situation and see that the Federal Reserve Banks were meeting their responsibilities effectively, and that, in view of the understanding had with the representatives of the services, the Board should not wait for further advice but should state to the representatives that the organization proposed in the memorandum was being set up in the Board's offices to supervise the activities which the representatives had indicated they desired the System to undertake.

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There was also a discussion of the question whether the work of the System under the Order should be supervised by the committee of three suggested in the memorandum or whether it should be placed in the hands of a single member of the Board.

At the conclusion of the discussion, Mr. Szymczak moved that the organization as outlined in the memorandum presented by Chairman Eccles, with the change suggested by Mr. Ransom, be created and that Messrs. Eccles and Draper be requested to submit a recommendation to the Board with respect to the person to be employed as the administrator for the Board.

Mr. Szymczak's motion was put by the chair and carried, Mr. McKee voting "no" for the reason that he felt the work could be handled more effectively under the direction of a single member of the Board.

Mr. Szymczak stated that under date of February 26, 1942, Mr. Young, President of the Federal Reserve Bank of Chicago, transmitted a list of salaries fixed by the directors for the officers of the Bank for the year beginning April 1, 1942, that he had gone over the list very carefully with Mr. Young and Mr. Lewis, Chairman of the Bank, when they were in Washington recently, and that for reasons which he discussed briefly it was his recommendation that the Board act on the increases proposed for certain officers as follows:

<u>Name</u>	<u>Present Salary</u>	<u>Proposed Increase</u>	<u>Increase Recommended by Mr. Szymczak</u>
J. H. Dillard	\$14,500	\$ 500	\$ --
A. J. Mulroney	13,000	2,000	--
C. B. Dunn	13,000	1,000	1,000
A. T. Sihler	10,500	1,500	750
A. M. Black	8,000	2,000	1,000

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<u>Name:</u> (Cont'd.)	<u>Present Salary</u>	<u>Proposed Increase</u>	<u>Increase Recommended by Mr. Szymczak</u>
O. J. Netterstrom	\$ 9,500	\$ 500	\$ --
A. L. Olson	8,500	500	--
Neil B. Dawes	8,000	500	--
W. R. Diercks	8,000	500	--
W. T. Cameron	3,500	300	300

In a discussion of the proposed salary changes, the suggestion was made that in view of the satisfactory services being performed by Mr. Mulroney it might be well to advise the directors of the Bank that later in the year the Board would be willing to give consideration to an increase in his salary to be effective after he had been with the Bank a year. This suggestion was agreed to by all of the members of the Board.

Thereupon, upon motion by Mr. Szymczak, the following letter to Mr. Young, President of the Federal Reserve Bank of Chicago, was approved unanimously:

"Referring to your letter of February 26, 1942, the Board of Governors approves payment of salaries to the following officers of the Bank for the period April 1, 1942, to March 31, 1943, inclusive, as fixed by your Board of Directors, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
C. S. Young	President	\$30,000
H. P. Preston	First Vice President	25,000
C. B. Dunn	Vice President and General Counsel	14,000
W. C. Bachman	Assistant Vice President	9,500
W. A. Hopkins	Assistant Cashier	6,500
Mark A. Lies	Assistant Cashier	6,750
Frank A. Lindsten	Assistant Cashier	6,800

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<u>Name:</u> (Cont'd.)	<u>Title</u>	<u>Annual Salary</u>
L. G. Meyer	Assistant Cashier	\$ 7,000
F. L. Purrington	Assistant Cashier	7,500
J. G. Roberts	Assistant Cashier	7,250
Carl M. Saltnes	Assistant Cashier	8,000
John J. Endres	Auditor	7,000
Paul C. Hodge	Assistant Counsel	5,600

Detroit Branch

H. J. Chalfont	Managing Director	10,000
H. L. Diehl	Cashier	6,000
A. J. Wiegandt	Assistant Cashier	4,200
W. T. Cameron	Assistant Cashier	3,800
R. W. Bloomfield	Assistant Cashier	3,920

"For the reasons stated orally by Governor Szymczak to you and Chairman Lewis, the Board is not willing to approve salaries for the following officers at the rates fixed by your Board of Directors, but approves payment of salaries to them for the period April 1, 1942, to March 31, 1943, inclusive, at the rates indicated, if fixed by your Directors at such rates. In considering the salary fixed by your directors for Mr. Mulroney the Board had in mind that he has been in the employ of the Bank for only seven months. While the Board did not feel that it should approve an increase for him at this time because of his short period of service, it has requested that you be advised that, if later in the year your directors still feel that an adjustment in his salary is justified, the Board will be willing to consider an increase to become effective on or after September 1, 1942:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. H. Dillard	Vice President	\$14,500
A. J. Mulroney	Vice President	13,000
A. T. Sihler	Vice President	11,250
A. M. Black	Cashier	9,000
O. J. Netterstrom	Assistant Vice President	9,500
A. L. Olson	Assistant Vice President	8,500
Neil B. Dawes	Assistant Vice President	8,000
W. R. Diercks	Assistant Vice President and Chief Examiner	8,000"

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Mr. McKee suggested that a memorandum be prepared showing the effect of the amendment to section 14(b) of the Federal Reserve Act, contained in the Second War Powers Act, on the authority of the Federal Open Market Committee to direct the Federal Reserve Banks to purchase Government securities. Chairmen Eccles suggested that copies be sent by the Secretary to all the Presidents. These suggestions were agreed to unanimously.

Mr. McKee also raised for discussion the question whether, in view of the Executive Order authorizing the War and Navy Departments and the Maritime Commission to guarantee loans made by Federal Reserve Banks under section 13b of the Federal Reserve Act, the Board should request the Secretary of the Treasury to amend the regulation issued by him under that section of the law.

It was understood that the Legal Division would be requested to prepare and submit to the Board for consideration a draft of letter to the Secretary of the Treasury along the lines suggested during informal discussions before this meeting.

Inasmuch as the Executive Order above referred to directs the Secretary of the Treasury to designate the Federal Reserve Banks to act as fiscal agents for the United States, the staff was requested to keep in touch with the Treasury for the purpose of having these designations made as promptly as possible.

Mr. Morrill stated that a telegram had been received under date of March 19, 1942, from Mr. West, Vice President of the Federal Reserve

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Bank of San Francisco, stating that the Bank had established a rate of 1 per cent on rediscounts and advances under sections 13 and 13a of the Federal Reserve Act, except the last paragraph of section 13, and had established without change the other rates of discount and purchase in the Bank's existing schedule. Mr. Morrill said that if the change in rate were approved by the Board the following rates, among others, would be in effect at the Bank:

On advances secured by direct obligations of the United States:

1 per cent on 15-day advances to member banks,

1-1/2 per cent on 16- to 90-day advances to member banks,

1-1/2 per cent on advances to nonmember banks.

On 90-day rediscounts and advances secured by eligible paper, 1 per cent.

Mr. Morrill made the further statement that on March 24, 1942, a second telegram was received from Mr. Hale, Vice President of the Bank, stating that on that date the Bank had established without change the schedule of rates of discount and purchase established at the meeting of the directors on March 19 and reported to the Board on that date but which had not yet received Board approval.

In the ensuing discussion, it was pointed out that the rates proposed by the Bank raised the questions (1) whether the Bank should have a lower rate for member banks on 15-day advances secured by Government obligations than on 90-day advances similarly secured, (2) whether the Bank should have a lower rate on rediscounts and advances secured by eligible paper than on 16- to 90-day advances secured by Government

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obligations, and (3) whether the Bank should be permitted to depart from the policy announced on September 1, 1939, of permitting nonmember banks to borrow at the same rates as member banks on advances secured by direct obligations of the United States.

At the conclusion of the discussion, Mr. Morrill was requested to call Mr. Hale on the telephone and discuss the proposed rates with him in the light of the questions above referred to, with the thought that the matter might be given further consideration at the next meeting of the board of directors of the Bank.

There was then presented a telegram just received from Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, stating that the executive committee of the Bank today fixed a rate of 1 per cent on advances to, and rediscounts for, member banks under sections 13 and 13a of the Federal Reserve Act and advances to nonmember banks under the last paragraph of section 13, subject to approval of the Board of Governors.

The new rates were approved unanimously, effective March 28, 1942, and, on the assumption that such action was also taken, the establishment by the Bank without change of the other rates of discount and purchase in its existing schedule was approved by unanimous vote.

The action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 24, 1942, were approved unanimously.

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Memorandum dated March 24, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Mary Elizabeth Forsling be appointed as a clerk in that Division, with salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter dated March 25, 1942, to Mr. Rice, Vice President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of March 11, 1942."

Approved unanimously.

Letter dated March 25, 1942, to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letter of March 19, 1942, advising of the resignation of Mr. R. R. Monroe as a member of the Industrial Advisory Committee and the appointment of Mr. Edward M. Kerwin, Vice President of E. J. Brach and Sons, Chicago, Illinois, as his successor, the Board of Governors approves the appointment of Mr. Kerwin as a member of the Industrial Advisory Committee for the Seventh Federal Reserve District to serve for the remaining portion of Mr. Monroe's term which expires February 28, 1943."

Approved unanimously.

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

"In passing upon applications for membership the Board gives consideration to the financial history of

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"the bank and the character of its management. It appears that the management of The Lorain County Savings & Trust Company, Elyria, Ohio, under the domination of its president, has been regarded by all supervisory authorities as unsatisfactory and that at least some of the directors recognize that the management needs strengthening.

"The Board, therefore, in accordance with the suggestion discussed with Mr. Fletcher, with which suggestion he reports the Admission Committee of your bank agrees, has deferred action upon the application until the management has been satisfactorily strengthened. It is believed that such measures should include the appointment of a new chief executive officer who shall succeed to the authority now exercised by the president."

Approved unanimously.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of March 18, 1942, submitting the request of The Westfield Trust Company, Westfield, New Jersey, for approval of the establishment of a branch in Garwood, New Jersey, in the quarters now occupied by, and in connection with the proposed purchase of assets and assumption of the deposit liabilities of, The First National Bank of Garwood.

"In view of your recommendation and the information submitted, the Board approves the establishment and operation of a branch at Garwood, New Jersey, by The Westfield Trust Company, provided the purchase of assets and assumption of deposit liabilities of The First National Bank of Garwood is carried out substantially as outlined in the trust company's letter of March 9, 1942, counsel for the Federal Reserve Bank of New York is satisfied as to the legal aspects of the proposed absorption and the establishment of the branch, and formal approval of the appropriate State authorities is obtained."

Approved unanimously.

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

"Reg. W-130. The Board has received several inquiries concerning the application of interpretation W-51 to the

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"rating of coal stokers for purposes of Regulation W. The questions relate to the method of determining which stokers are included in the list of articles the credit sales of which are subject to the regulation.

"Interpretation W-51 states that the classification 'household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)' includes heat generating sources such as furnaces and boilers, and appurtenances which form a part of such sources, individually or collectively installed, when such sources or appurtenances are designed for actual net output of 240,000 B.t.u. per hour or less.

"How shall Registrants determine whether a particular model of coal stoker falls within the class described? The question to be answered is what the particular model was designed to do, that is, what heating requirements the manufacturer considers will be met by the model. The Registrant, therefore, must depend upon the rating made by the manufacturer rather than upon his own calculation of the net B.t.u. output based upon individual installations.

"In the past, coal stokers have been rated by the manufacturers on the basis of the coal delivery rate, and it appears that a stoker rated as capable of delivering 45 pounds of coal per hour was recommended for installations where the maximum net output required was slightly less than 240,000 B.t.u. per hour and where average conditions existed. It should be noted that the maximum net output figure is a standard representing the heating capacity of a system of which the stoker is designed to be a part, it being assumed that the heating requirements are average, the equipment appropriate, and the coal of average heating value. Once the rating is determined for a particular model under average conditions, that rating is used in all cases for classifying the model for purposes of the regulation, and it does not matter that the conditions under which a given stoker is to be installed differ materially from the averages.

"A special question relates to changes in models involving an increase in the coal delivery rate. A case has been brought to the attention of the Board in which a stoker formerly rated as a 30-pound stoker was altered by the addition of an attachment which brought the theoretical coal delivery rate up to 50 pounds per hour. Such a change would not conclusively change the status of the stoker under the regulation. The pound delivery rate has no

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"significance in itself. It has been used, in the past, as indicative of the heating capacity of the stoker, but it cannot be so used unless the features of the stoker other than the coal delivery rate are appropriate to a stoker which is actually to be used at the given rate.

"The problem, therefore, is whether, after a change of the kind described, it can be maintained in good faith that the stoker is designed for a heating load of more than 240,000 B.t.u. net output per hour under the average conditions mentioned above. In this connection it would have to be determined whether or not the other features of the converted stoker were such as to make it suitable and economic for the heavier heating requirements. Also, there would be a question as to the ability of the converted stoker over its normal life actually to deliver coal at the rate required of a 50-pound stoker. These are matters to be established by heating engineers, and up to the present time the Board has been willing to rely upon the judgment of the manufacturer in rating his products provided this judgment is exercised in good faith."

Approved unanimously.

Letter to Mr. Phelan, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of February 24, 1942, regarding the questions presented by The Association of Life Insurance Presidents, New York, New York, as to whether life insurance companies are required to register under section 3(a) of Regulation W. These questions are discussed below, and a copy of this letter is being forwarded as an 'S' letter to all Federal Reserve Banks in order that they may be in a position to make appropriate replies to any inquiries on the subject from insurance companies in various parts of the country.

"1. Policy Loans. - Life insurance companies frequently make so-called 'policy loans' in the amount of \$1,500 or less on life insurance policies issued by them. It is understood that the provisions of the policies require the companies to make these loans, and to make them on the sole security of the policy. It is perhaps arguable whether the policyholder undertakes to repay the loan at

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"all, but it is understood that he clearly does not undertake to repay the loan in instalments. On the basis of this understanding, it is the view of the Board that the making of such 'policy loans' does not cause an insurance company to be 'engaged in the business' described in section 3(a) and hence does not require the company to register.

"2. Instalment Loans. - A great many of the loans made by life insurance companies are repayable on an instalment basis. An insurance company which regularly makes or accepts applications for, instalment loans of \$1,500 or less (or instalment loans secured by recently purchased listed articles as specified in section 2(e)(2)) is engaged in the business of making extensions of instalment loan credit and is required to register pursuant to section 3(a). On the other hand, if a company does not make, or hold itself out as being prepared to receive applications for, any such instalment loans, it would not have to register unless there were some other facts that brought it under the requirement.

"It is understood that there are also some insurance companies that do not clearly fall within either of the descriptions in the preceding paragraph. They do not regularly make, and do not hold themselves out as being prepared to receive applications for, any instalment loans secured by recently purchased listed articles or any instalment loans of \$1,500 or less, but they nevertheless make one or two such loans in isolated instances on infrequent occasions.

"In general, and in the absence of other facts, a company would not be 'engaged in the business' unless it makes such loans with at least some degree of repetition or holds itself out as being prepared to receive applications for such loans. For example, the inquiry states that one such insurance company which does not hold itself out as prepared to receive any applications for any such loans has made two instalment loans of \$1,500 or less in the past 20 years. Assuming that these two loans were made as isolated instances, they would not cause the company to be 'engaged in the business' described in section 3(a). The question whether a particular company is 'engaged in the business' by virtue of having made certain of such loans must, of course, depend upon all the relevant facts of the individual case.

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"3. Advances for Taxes and Insurance Premiums under Mortgage Loans. - Frequently a provision of a first mortgage authorizes the holder of the mortgage to pay taxes and insurance premiums on the property when the mortgagor fails to pay them, and provides further that the amount of such payments shall be a first lien on the premises and become a part of the sum secured by the mortgage. Life insurance companies from time to time make payments pursuant to such provisions. The fact that such advances are exempted as a part of the first mortgage under section 6(a) and W-128 would not prevent them from requiring the company to register. However, it is the view of the Board that the payment of taxes and insurance premiums in these circumstances does not cause an insurance company to be 'engaged in the business' described in section 3(a) even though such supplemental advances are repayable in instalments and are in the amount of \$1,500 or less.

"4. Partially Repaid Loans. - An instalment loan which is made in good faith in excess of \$1,500, and is not secured by a recently purchased listed article as described in section 2(e)(2), does not become subject to the regulation when the outstanding amount of the loan is reduced to \$1,500 or less. Hence, the fact that an insurance company has on its books many such loans which were originally made in amounts exceeding \$1,500 but which have been paid down to \$1,500 or less does not cause the insurance company to be 'engaged in the business' described in section 3(a)."

Approved unanimously, with the understanding that copies of the letter would be sent to the Presidents of all Federal Reserve Banks except New York.

Letter to Mr. Baker, Manager of the Instalment Credit Department of the Federal Reserve Bank of Minneapolis, reading as follows:

"This will acknowledge receipt of your letter of March 18, 1942, making a suggestion as to a possible change in the Statement of Borrower used under Regulation W. The Board is glad to have this suggestion and it will be taken into account when it becomes necessary to revise the statement.

"You also ask about the addition of the new listed items on the back of the statement. This was covered in

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"the Board's wire to all the Federal Reserve Banks on March 19. The Board would be very glad to have information on the extent to which Registrants are adding the items to the list.

"As to your question concerning the printing of supplies of the form, the Board does not have in mind an immediate revision of the form. The letter of February 23, asking for suggestions, was based on the idea that they should be collected now so they would be available for whatever revision might be determined upon in the future. However, as you are aware, some rather extensive changes are being considered in the regulation and, if they materialize, it seems likely that the Statement of Borrower would have to be changed considerably. For this reason, limited printing seems desirable. The Board, of course, would not wish Registrants to imply from any statement you might make on printing that a change in the form had been determined upon or was imminent."

Approved unanimously.

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

"All twelve Federal Reserve Banks have indicated their approval of the proposal, contained in the Board's letter of January 23, to discontinue the reporting of bank debits on a weekly basis and to substitute monthly reports for the present weekly ones. It has therefore been decided to adopt the proposal, and the following announcement to that effect will be inserted in the next weekly debits statement released by the Board:

Beginning with the month of May, only monthly bank debits figures will be collected by the Board; weekly bank debits statements will be discontinued after issuance of the statement covering the week ending May 6. The monthly figures, which are available from the beginning of 1919, are more significant than the weekly figures for most purposes, since they smooth out wide weekly variations.

"Some of the Reserve Banks suggested, in response to the Board's letter of January 23, a number of centers

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"for addition to the list of reporting centers in their respective districts when the shift to a monthly basis is made. These and other suggestions were reviewed and compared with the results of an independent study made at the Board's offices. Account was taken of the population and recent growth of the centers considered for addition, the amount of bank deposits, the location of the centers in relation to those now reporting, and the relative adequacy with which present reporting centers represent the population, deposits, and economic activity of the States and districts in which they are located.

"It has been decided that under present circumstances it would not be desirable to add very many centers to the list of those now reporting, but an average of four centers per district have been selected for addition, provided that this can be done with the full cooperation of the banks located in such centers. Accordingly, you will be informed in a separate letter which of the new centers proposed and approved for addition are located in your district, and it is suggested that you invite the banks in these centers to report debits monthly, beginning with May, either directly or through the local clearing house, as appears most appropriate and convenient to you. No special effort need be made to obtain the figures, however, if there is any resistance on the part of the banks to submitting the reports.

"On the basis of reports prepared by the Reserve Banks, it has been found that in the case of about 20 reporting centers the banks that now report hold less than 90 per cent of the deposits of all commercial banks in the respective centers. It seems desirable, incident to the shift to a monthly basis, that an effort be made to improve the coverage in cases where it is incomplete if this can be done without inconvenience. It is suggested, therefore, that you endeavor to obtain reports beginning with May from the more important nonreporting banks located in reporting centers. In the case of very small banks, of course, inclusion or exclusion is not a matter of importance, but there is no objection to inviting all nonreporting banks in the centers that are included, either directly or through the clearing house, to report regularly. Please advise the Board which, if any, additional banks in your district are covered by the first monthly reports.

"The proposed form of monthly report has been changed slightly from the draft attached to the Board's letter

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"of January 23 and a copy of the revised draft is enclosed. The form will be printed, and it is expected that an initial supply will be sent to you in about two weeks. Arrangements for the shift to monthly reporting may then be made with the reporting agencies and banks and a supply of the form distributed to them. However, explicit instructions should be given that the period to be covered by the first report on the new form is the entire calendar month of May, and that weekly reports should continue to be submitted through the week ending May 6. If any banks indicate an unwillingness to report their end-of-month deposits, you may inform them that their debits reports will continue to be acceptable and that the reporting of deposits is not obligatory. It is not contemplated that any extensive changes in the agencies used in collecting the debits reports will be made, but in cases where the present reporting procedure has proved unsatisfactory or you have reason to believe that a change would result in improvement there is no objection to your seeking to bring about such change.

"When you have obtained the individual reports covering all debits-reporting banks in your district and inspected them for possible errors and inconsistencies, please prepare for transmission to the Board a transcript showing the month's debits and deposits for each individual bank, and each reporting center. If practicable, these data should be mailed to the Board's Division of Bank Operations in time to reach Washington by the eighth of the month following that to which the figures apply (air mail should, of course, be used where necessary). After the first two or three months, if experience indicates that the individual-bank figures are not particularly useful, you will be notified to send to the Board merely the totals for each reporting center."

Approved unanimously.

Thereupon the meeting adjourned.

Oliver Morrie
Secretary.

Approved: W. S. [Signature]

Chairman.