

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 16, 1942, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice 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 April 15, 1942, were approved unanimously.

Memorandum dated April 14, 1942, from Mr. Morrill, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of April 16, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Secretarial and Administrative Functions</u>			
Emily A. McAllister	Junior File Clerk	\$1,440	\$1,560
Laura S. Talbott	Junior File Clerk	1,440	1,560
Ruby A. Pitzer	Junior File Clerk	1,500	1,620
<u>Service Functions</u>			
H. F. Mayberry	Chauffeur	1,200	1,380

Approved unanimously.

Memorandum dated April 11, 1942, from Mr. Nelson, Assistant Secretary, recommending that, effective June 1, 1942, an arrangement

4/16/42

-2-

be made with Mrs. Alice E. Tyrrell, a file clerk in the Secretary's Office, for an indefinite temporary period to work from 9:00 a.m. to 3:45 p.m. each week day except Saturday, or five six-hour days per week, and that her salary for this service be fixed at \$1,380 per annum.

Approved unanimously.

Memorandum dated April 13, 1942, from Mr. Nelson, Assistant Secretary, recommending that LeRoy H. Cooley, a guard in the Secretary's Office, be granted leave of absence beginning April 22, 1942, so that he might enter active duty with the United States Army, and 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 expiration of his accumulated and current accrued leave.

Approved unanimously.

Letter to the board of directors of the "Merchants and Planters Bank", Norfolk, Virginia, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special conditions, 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 Richmond:

- "7. As soon as practicable, and in any event within 90 days from date of admission to membership, such bank shall arrange to have complete books, records, and files pertaining to the operations of the trust department maintained in the bank.

4/16/42

-3-

- "8. Such bank shall decrease the number of its directors to not more than 25, the maximum number permitted in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Merchants and Planters Bank', Norfolk, Virginia, 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 Commissioner of Banking for the Commonwealth of Virginia for his information.

"If practicable, the decrease in the number of directors required by condition of membership numbered 8 should be effected prior to admission of the bank to membership. However, the Board will not object to the admission of the bank with 29 directors provided steps will be taken promptly to decrease the number to not more than 25. It has been noted in this connection that the matter was called to the

4/16/42

-4-

"applicant bank's attention in the open section of the report of examination for membership.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It has been noted, however, that the management intends to charge off the amount classified and it is assumed that this will be done.

"According to the report of membership examination an unusual situation exists in the trust department in that the books, records and files of the department are held in the trust officer's personal law office which is a considerable distance from the bank. Condition of membership numbered 7 has been prescribed in order that, as a member bank, the trust department may become in appearance, as in fact, an integral part of the bank with the books and records of the department as well as the trust assets kept in the custody of the bank. Also important is the organization and functioning of the department in order that it may have the benefit of collective judgment exercised through appropriate committees of directors and that appropriate record of the action and reviews of such committees may be maintained. It is assumed that these matters will have your close attention until satisfactorily adjusted.

"Enclosed is a letter approving the retention and operation of a branch at South Norfolk, Virginia, which you are requested to forward to the Board of Directors of the applicant bank. Enclosed also is a copy of the letter for your files."

In connection with the above matter, the following letter to the board of directors of the "Merchants and Planters Bank", Norfolk, Virginia, was also approved unanimously:

"In connection with the application for membership in the Federal Reserve System, the Board of Governors of the Federal Reserve System approves the retention and operation by the Merchants and Planters Bank, Norfolk, Virginia, after admission to membership, of the branch at South Norfolk, Virginia, the establishment of which was approved, effective as of September 12, 1927, by the State Corporation Commission of the Commonwealth of Virginia."

4/16/42

-5-

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with your recommendation the Board of Governors of the Federal Reserve System, pursuant to the provisions of Section 13 of the Federal Reserve Act, authorizes The American National Bank & Trust Company of Mobile, Mobile, Alabama, to accept drafts or bills of exchange to an amount (which amount shall include any drafts and bills of exchange accepted by other banks for its account) not exceeding at any one time in the aggregate 100 per centum of its paid-up and unimpaired capital stock and surplus subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto.

"Please advise The American National Bank & Trust Company of Mobile accordingly.

"Enclosed for your information is a copy of a letter addressed to the Comptroller of the Currency advising of the Board's approval of the application."

Approved unanimously, together with a letter to the Comptroller of the Currency in the following form:

"Enclosed is a copy of a letter addressed this day to Mr. W. S. McLarin, Jr., President, Federal Reserve Bank of Atlanta, Atlanta, Georgia, advising him that the Board of Governors has approved the application of The American National Bank & Trust Company of Mobile, Mobile, Alabama, for permission to accept drafts or bills of exchange to an amount not exceeding at any one time in the aggregate 100 per centum of its unimpaired capital stock and surplus.

"The Board's Regulation C - 'Acceptance by Member Banks of Drafts and Bills of Exchange' - reserves to the Board the right to rescind the approval of any such application upon 90 days' notice to the bank affected. Should your office at any time feel that the authority granted in this case should be revoked, it will be appreciated if the Bureau will so advise the Board."

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

4/16/42

-6-

"Reg. W-132. The classification 'floor coverings' includes rubber, asphalt, cork, plastic, and other similar floor tile, but does not include ceramic, terrazzo, or other similar floor tile."

Approved unanimously.

Letter to Mr. M. E. Peters, President of the Pacific Auto Guide, Inc., Los Angeles, California, reading as follows:

"This is in reply to your letter of April 10 regarding the possibility that the Office of Price Administration will, in the near future, establish price ceilings on used automobiles.

"It is understood that the various automobile appraisal guides, including the 'Official Guide' published by your organization, quote the estimated average retail values of used automobiles, and it was on this basis that the Board determined to set maximum credit values of used automobiles in the manner prescribed in Regulation W. If price ceilings are established by the Office of Price Administration, it would seem unlikely that the average retail value for any given model of automobile could be equal to the price ceiling for that model unless all transactions involving cars in average condition were made at the ceiling price. Consequently, although the Board has not made any final decision on this matter, it seems unlikely that the OPA ceiling prices, if established, could be used as 'appraisal guide values' for purposes of the present Regulation W."

Approved unanimously, with the understanding that a similar letter would be sent to Mr. R. Leslie Kelley, Editor and Publisher of the Kelley Blue Book, Los Angeles, California.

Letter to Mr. Donald A. Moore, Treasurer of the Ontario County Trust Company, Canandaigua, New York, reading as follows:

"Receipt is acknowledged of your letter of April 10 asking whether section 8(e) has been eliminated from Regulation W.

4/16/42

-7-

"Specifically, your question is whether a contract made prior to September 1, 1941, providing for payment of \$22.00 monthly for 17 months with a balloon payment of about \$500 on the 18th month, could be revised for an additional 23 months (so that the balance of \$500 could be paid off at the same rate of \$22.00 monthly) or whether the revision should be confined to some shorter period.

"The answer to your original question is in the negative and you are correct in concluding that the contract may be revised so as to provide for the payment of the \$500 at the rate of \$22.00 monthly (assuming, as appears to be the case, that this is the first revision of the contract).

"The administration of the Regulation has been decentralized, and therefore it is suggested that you address any further inquiries which you may have directly to the Federal Reserve Bank of New York."

Approved unanimously.

Letter to Mr. Day, Chairman of the Presidents' Conference, Federal Reserve Bank of San Francisco, reading as follows:

"In view of the statements contained in your letter of March 18, 1942, it is suggested that there be placed on the program for discussion at the next Presidents' Conference the question as to whether the preparation and submission to the Board of budgets of the Federal Reserve Banks for functions other than the statistical and analytical and bank examination should be discontinued during the duration of the war."

Approved unanimously.

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

"A letter has been received from one of the Federal Reserve Banks advising that the question of the relative standards of building safety and vault control has been discussed several times in meetings of the Insurance Plan Committee; that the suggestion was made at one of the

4/16/42

-3-

"meetings that a conference of those in each Reserve Bank charged with the duty of building safety and vault control might be beneficial; that such a conference would appear well justified; and that the following general results might be expected:

- (1) The exchange of information among all of the Banks would, no doubt, lead to System improvement.
- (2) The problem of new and expanded personnel in these activities might be discussed and much good accomplished.
- (3) Each Bank in the System would become better advised of the safeguards employed by each of the other Banks.
- (4) Some economies might be effected.

"It will be appreciated if you will advise the Board whether you concur in the above-mentioned suggestion and furnish a list of topics that might be placed on the agenda for such a conference."

Approved unanimously, with the understanding that, if it should be found desirable to hold the conference referred to in the letter, it would not be held in Washington because of the crowded conditions here.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

Donald H. Johnson
Vice Chairman.