

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 18, 1942, at 2:00 p.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 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 May 16, 1942, were approved unanimously.

Memorandum dated May 15, 1942, from Mr. Nelson, Assistant Secretary, recommending that John C. Brennan, general assistant in the Secretary's Office, be granted leave of absence without pay beginning May 20, 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.

Approved unanimously.

Memorandum dated May 15, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Barbara S. Depenbrock as a draftsman in that Division, to become

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effective as of the close of business on May 24, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Mulroney, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In response to your letter of April 24, 1942, regarding the Beloit Savings Bank, Beloit, Wisconsin, we suggest that you indicate to the bank the definite feeling that a bank should not belong at the same time to the Home Loan Bank System and the Federal Reserve System, and that the Beloit Savings Bank should withdraw from one or the other. This suggestion is made in the belief that it was never contemplated that a bank should belong to both Systems. This approach has been discussed informally with representatives of the Federal Home Loan Bank Administration, and they agree with it.

"We note that the bank has indicated that it might wish to continue membership in the Home Loan Bank System in order to get the benefit of dividends on its holdings of \$10,000 of stock in, and the interest on the \$50,000 deposit with, the Federal Home Loan Bank. It would seem that the \$60,000 could be so reinvested in high grade securities as not to cause the bank any loss of earnings.

"We will appreciate advice as to developments."

Approved unanimously.

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

"In connection with the execution of guarantee agreements pursuant to Executive Order No. 9112, the following procedure should hereafter be observed.

"In the case of a guarantee agreement entered into by a Federal Reserve Bank on behalf of the War Department, the Navy Department, or the United States Maritime Commission with a Financing Institution, four signed copies of the

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"agreement should be executed. After execution of the agreement by the parties, one signed copy will be available to the Federal Reserve Bank, one copy to the Financing Institution, and two to the War Department, Navy Department, or Maritime Commission, as the case may be.

"In the case of a guarantee agreement entered into between the War Department, the Navy Department, or the Maritime Commission and a Federal Reserve Bank, three signed copies of the agreement should be executed, one to be available to the Federal Reserve Bank, and the remaining two copies to be available to the War Department, the Navy Department, or Maritime Commission, as the case may be.

"Copies of any such agreement which are intended for the War Department, the Navy Department or the Maritime Commission, should be forwarded directly to the Board of Governors for transmittal to the agency concerned.

"The above procedure supersedes the procedure described in the Board's letter of April 27, 1942 (S-467). As stated in that letter, however, it is not necessary that a copy of any guarantee agreement be provided for the Board of Governors of the Federal Reserve System."

Approved unanimously.

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

"Enclosed is a letter received from Mr. John H. Couse of West Palm Beach, Florida, in which permission is requested to reprint Section 5 of Regulation W for enclosures with statements rendered his customers. The letter is forwarded to you for appropriate reply.

"We see no objection to a dealer's reprinting the Section for the purpose of informing his customers of the requirements of the regulation. It is assumed, of course, that the quotation is to be used simply for the purpose of making the terms of the regulation known to those who are affected by them."

Approved unanimously.

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Telegram to Mr. Swanson, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Replying your wire of May 14 regarding combining of charge account with existing instalment account. In view of footnote 9 which is attached to Option 2 under section 10(b) of Regulation W, loan of \$30 to retire a charge account must be treated for purposes of Option 2 as if it were an instalment debt payable \$5 per month. If such loan is consolidated under Option 2 with an existing instalment loan payable \$10 per month, consolidated obligation must call for payments of at least \$15 per month."

Approved unanimously.

Telegram to Mr. Phillips, Assistant Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Your wire May 14. Statement of Borrower requirements of sections 6(d) and 7(d) (of Regulation W) inapplicable to loans exempted by section 8."

Approved unanimously.

Memorandum dated May 16, 1942, from Mr. Wyatt, General Counsel, requesting the Board's permission to send a letter to Representative Sumner, reading as follows:

"In accordance with the request contained in your letter of May 15, 1942, I have prepared and enclose herewith two alternative drafts of an amendment to section 5200 of the Revised Statutes which would exempt from the limitations of that section loans or portions thereof covered by guaranties or commitments made by the United States or any agency thereof or by any Federal Reserve Bank.

"Draft A would grant an absolute exemption to the extent that the loans are covered by guaranties or commitments to take over or to purchase made by the United States or any agency thereof or by any Federal Reserve Bank. Draft B would grant the exemption only to the extent permitted by regulations of the Comptroller of the Currency. The thought behind Draft B is that there are so many

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"different agencies of the Government granting guaranties and commitments in so many different forms that some of them might not justify an exemption from the limitations of section 5200, and the Comptroller of the Currency could determine by regulation which should be exempted. However, the exemption would not apply until regulations were issued and there might be some delay in the issuance of regulations. The question which of these drafts, if either, should be offered is a question of policy.

"In preparing these drafts I have simply endeavored to put your thought into proper legal and technical form, and they do not necessarily represent my views or the views of the Board of Governors of the Federal Reserve System or any member thereof.

"I respectfully suggest that, in order to avoid the possibility of casting any doubt upon actions heretofore taken, it might be advisable, if you offer either of these amendments, for you to state that it is declaratory of the present law as interpreted by the Comptroller of the Currency.

"I am taking the liberty of sending a copy of this letter to Honorable Henry B. Steagall for his information as Chairman of the Committee on Banking and Currency.

"If I can be of any further assistance to you in this or any other connection, please do not hesitate to call upon me."

Approved unanimously.

Letter to Senator Robert F. Wagner, Chairman of the Senate Committee on Banking and Currency, reading as follows:

"Your letter of March 25, 1942, requesting a statement of the opinion of the Board of Governors of the Federal Reserve System on bill S. 2393, 'relating to the publication in places where branch banks are operated of statements of resources and liabilities of banks, the deposits of which are insured under the provisions of section 12B of the Federal Reserve Act, as amended', has been received.

"The Board also received a letter of April 17, 1942 from Mr. F. J. Bailey, Assistant Director, Legislative Reference, Executive Office of the President, addressed

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"to Chairman Eccles and requesting an opinion of the Board of Governors of the Federal Reserve System regarding S. 2393. Our reply thereto, under date of May 11, 1942, expresses the views of the Board in regard to this bill.

"We do not believe at this time we could add anything to this expression of views made to the Bureau of the Budget, although the whole question is one that needs further consideration, and the Board may wish to submit certain recommendations with respect thereto at a later date.

"The Board, therefore, requests that the views expressed by it to the Bureau of the Budget, a copy of which is attached hereto, be taken also as an expression of its opinion to your Committee."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. E. Eccles

Chairman.