

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 21, 1942, at 10:30 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 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 20, 1942, were approved unanimously.

Memorandum dated May 18, 1942, from Mr. Paulger, Chief of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, James C. Smith be appointed as an Assistant Federal Reserve Examiner, with salary at the rate of \$3,000 per annum, and with official headquarters at San Francisco, California.

By unanimous vote, Mr. James C. Smith was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve

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Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at San Francisco, California, and with salary at the rate of \$3,000 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Memorandum dated May 18, 1942, from Mr. Wyatt, General Counsel, recommending that Miss Joan Hall be appointed as a stenographer in the Office of General Counsel, with salary at the rate of \$1,620 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 to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of May 7, 1942, advising that during the examination of the Bloomfield State Bank, Bloomfield, Indiana, as of March 2, 1942, it was found that since 1930 the bank had been trustee under indenture of a first mortgage bond issue of a local company.

"When this bank was admitted to membership in the Federal Reserve System, January 4, 1940, it apparently had no fiduciary business and the three standard trust conditions were not imposed. You now advise that the failure of the bank to disclose its relationship with this bond issue during the course of the examination for membership was entirely inadvertent, and that it would like to continue as trustee for that issue although it

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"does not intend or desire to engage in a general trust business.

"In view of the circumstances, and in accordance with the recommendation of yourself and the executive committee of the Federal Reserve Bank of St. Louis, the Board raises no objection to the bank continuing to act as trustee for the one account it now holds, with the understanding that it will not acquire any other fiduciary business without first obtaining the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

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

"In connection with operations under Executive Order No. 9112, there is enclosed herewith a photostat of a letter dated May 19, 1942 which the Board has received from Mr. R. E. Anderson, Director of Finance, United States Maritime Commission, authorizing Mr. W. F. Rockwell to execute certificates of the Maritime Commission and setting forth Mr. Rockwell's signature. From informal advices which we have received from the Maritime Commission, it is understood that Mr. Rockwell's authorization is intended to be limited to the execution of certificates in the form prescribed by the Maritime Commission pursuant to the first paragraph of section 2 of the instructions of the Commission to all Federal Reserve Banks dated May 7, 1942."

Approved unanimously.

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

"Enclosed is a copy of a letter to Governor Ransom from Credit Bureaus of America, Inc. and a copy of his reply. In accordance with the latter, the suggestion made by the credit bureaus is being brought to the attention of all the Federal Reserve Banks for their consideration.

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"The suggestion is that the Board give its endorsement to a program by which credit-granting merchants would report to the local credit bureau the names of those customers whose charge accounts are in default under Regulation W.

"When the provisions for charge account control were under study, some consideration was given to the possibility of requiring that reports be made to some central agency in a community so that a customer in default at one store could not obtain credit at another. At the time, however, no satisfactory way of implementing this idea was found, and it was thought that avoidance by dealing at another store would not be likely to be in such volume as to cause much impairment of the control. Nevertheless, the problem is one which may probably deserve continued study.

"The Board would appreciate it if your bank would give some study to this proposal and let the Board have the benefit of your views at an early date."

Approved unanimously.

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

"This will acknowledge your letter of May 12 enclosing letters that you received from Spritz Credit Department Store of Cincinnati and from the Cleveland Retail Credit Mens Company.

"The problem that is raised in Mr. Spritz's letter has previously been brought to the attention of the Board, and you may wish to call Mr. Spritz's attention to the interpretation set forth in the Board's telegram S-471 dated May 7 pointing out that the sale of a listed article in a charge account, with an understanding that the credit will later be converted to an instalment basis is prohibited. The Board will be interested in following this situation in order to determine whether this rule is working out in a satisfactory manner, and we shall be most interested in any information along this line that you or Mr. Spritz may care to send in.

"The suggestion made by the Cleveland Retail Credit Mens Company, to the effect that all transactions of \$5 or less be given the benefit of section 5(f) of Regulation

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"W as revised, has been made before, but the evidence submitted to the Board in favor of broadening section 5(f) to this extent was not sufficiently convincing to justify such a broadening of the provision. We should be very glad to have you discuss this point with Mr. Gray and let us have the benefit of such detailed information as you may obtain with respect to the amount of added expense that the limitation now in section 5(f) may cause to the stores."

Approved unanimously.

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

"Retel May 19, Board believes that electrically operated cream separators, band and circular saws, planers and lathes are designed primarily for commercial not household use and therefore would not be included in Item 14, Group A."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morril

Secretary.

Approved:

W. C. Miller

Chairman.