

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 28, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ranson, 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 27, 1942, were approved unanimously.

Memorandum dated May 26, 1942, from Mr. Nelson, Assistant Secretary, recommending that Raymond J. Collier, a Junior Economist in the Secretary's Office, be granted a leave of absence without pay beginning May 28, 1942, so that he might enter active duty with the United States Naval Reserve, 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 22, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of Jefferson J. Larson as a page in the Secretary's Office, to become effective as of the close

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of business on June 18, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"In accordance with the recommendation contained in your letter of May 23, 1942, the Board of Governors approves, effective June 1, 1942, the payment of a salary to Mr. H. C. Frazer, Manager, Foreign Funds Control Department, at the rate of \$5,300 per annum, which is \$800 in excess of the maximum annual salary provided in the personnel classification plan of your Bank for the position occupied by Mr. Frazer."

Approved unanimously.

Letter to the board of directors of "The Bank of Mount Eaton Company", Mount Eaton, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Bank of Mount Eaton Company', Mount Eaton, Ohio, 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

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"to the Superintendent of Banks for the State of Ohio for his information.

"It is assumed, of course, that the Reserve Bank will follow the matter of bringing the savings account and the time certificate of deposit form, mentioned on page 16 of the report of examination for membership, into conformity with the provisions of law and the Board's regulations."

Letter to the board of directors of "The Twin Valley Bank", West Alexandria, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Twin Valley Bank', West Alexandria, Ohio, 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 Ohio for his information.

"With the exception of the nominal amount representing cash shortages, the estimated losses classified in the report of examination for membership are reported to have been charged off; therefore, the usual condition of membership regarding elimination of losses has not been prescribed.

"On page C of the report of examination for membership the examiner calls attention to a statement regarding deposit insurance in the savings pass books, which statement is not altogether correct. It is assumed that you will

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"undertake to see that appropriate changes are made in the pass books at the first opportunity."

Letter to Mr. Longmire, Director of the War Production Loan Agency at the Federal Reserve Bank of St. Louis, reading as follows:

"This is to acknowledge receipt of your letter of May 25, 1942, enclosing a copy of illustrative examples of the operation of sections 5 and 6 of the standard form of Guarantee Agreement approved for use under Executive Order No. 9112. It is understood that you contemplate reproducing copies of these illustrations for distribution among banks in your district.

"The question whether such illustrations of the operation of sections 5 and 6 of the Guarantee Agreement should be prepared for distribution was discussed in a preliminary way by representatives of the Board and of the War and Navy Departments and the Maritime Commission when the form of Guarantee Agreement was in course of preparation; but no final decision was reached at that time. Accordingly, we feel that it would be inappropriate to express any views with respect to the suggested illustrations enclosed with your letter without first consulting the agencies concerned.

"We shall be glad, therefore, to confer with the War and Navy Departments and the Maritime Commission as soon as possible and we will then advise you further."

Approved unanimously.

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

"Charge account of partnership and personal charge accounts of individual partners are separate accounts under Regulation W. Therefore default in account of partnership would not of itself create default in personal account of partner and vice versa. However, see section 11(a)."

Approved unanimously.

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

"Reference to 'charge account' in clause (1) of footnote 5 of Regulation W is a cross-reference to section 6(b) and means a charge account arising in whole or in part from the sale of a listed article. This means that a single-payment loan made on or after May 6 which the Registrant knows was used to retire a charge account arising wholly from the sale of unlisted articles may be renewed or extended under section 7(c)(1) or 7(c)(2) with a final maturity not exceeding twelve months from the date of the original loan."

Approved unanimously.

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

"Reference is made to your letter of May 13 and the enclosed letter of May 12 from the Merchandise National Bank of Chicago regarding the application of Regulation W to their 'Check Credit Plan', and a copy of the form of agreement entered into between the bank and the customer.

"The agreement gives the customer an option to borrow \$25.00 from the bank by drawing against the Check-Credit account, and the option revives as soon as the loan is paid off, with the result that the customer may exercise the option repeatedly. The question is whether the Statement of Borrower can be used as a continuing agreement covering the purpose of the successive loans.

"The revised form of Statement of Borrower, which you received since your letter was written, is similar to the old form in so far as it relates to this matter, and refers throughout to 'this loan'. Therefore it could not be used with respect to all loans made pursuant to the agreement. Moreover, as a practical matter, it might be argued that the Statement would have little value with respect to a loan made months after the Statement had been filed with the bank and after a number of intervening loans.

"However, it is evident that the loan is really in the nature of a mechanical convenience for the customer,

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"since it is of such short maturity and since the amount is small, and the matter is therefore receiving further consideration together with a number of related questions. Accordingly, any additional comments which you or the Merchandise National Bank would care to make would be appreciated."

Approved unanimously.

Letter to Honorable Wendell Berge, Assistant Attorney General, reading as follows:

"This is to acknowledge with appreciation your letter of May 27, 1942 (WB:WHM:rh 146-17-012), with regard to the cooperation of the Department of Justice in the Board's program to secure compliance with the provisions of its Regulation W.

"We are today transmitting copies of this program to the various Federal Reserve Banks and, pursuant to your request, we are transmitting to you 400 copies of the program, together with 400 copies of Regulation W as revised effective May 6, 1942, for distribution to United States Attorneys. We shall appreciate it if we can be furnished with 50 copies of the circular letter which you propose to send to your United States Attorneys in order that we may furnish copies of it to the Federal Reserve Banks for their information."

Approved unanimously.

Letter to Mr. W. E. Anderson, Editor of The Market Record, Inc., Chicago, Illinois, reading as follows:

"This will acknowledge your letter of May 19, 1942, notifying the Board that you are changing the publication date of your next issue of The Market Record from June 1 to July 1, and that you intend to notify all users of the 'April-May, 1942' issue that it is to be used during June in addition to the months for which it was originally intended.

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"The Board has no objection to the use of the 'April-May, 1942' issue during June for purposes of Regulation W."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. Curtis  
Chairman.