A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 1, 1942, at 10:45 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter 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 30, 1942, were approved unanimously.

Memorandum dated May 28, 1942, from Mr. Paulger, Chief of the Division of Examinations, recommending that the salary of Mrs. Julia B. Hopkins, an Assistant Federal Reserve Examiner in that Division, be increased from $2,500 to $2,700 per annum, effective June 16, 1942.

Approved unanimously.

Memorandum dated May 29, 1942, from Mr. Nelson, Assistant Secretary, recommending, subject to concurrence by the Retirement Committee of the Federal Reserve Retirement System, that Seaton Dyson, a messenger in the Secretary's Office, who will reach the retirement age of 65 on July 4, 1942, be retained in active service until the end of the calendar year 1942. The memorandum stated that a statement had been executed by Dyson and his wife showing that they were familiar

with the benefits which are payable in the event of death during active service and the benefits payable in the event of death after retirement.

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes involving a general revision of the personnel classification plan of your Bank and Branches as requested in your letter of May 13, 1942."

Approved unanimously, together with the following letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis:

"In a separate letter dated June 1, 1942, the Board approved the changes involving a general revision of the personnel classification of your bank and branches, as requested in your letter of May 13, 1942.

"Such changes included the discontinuance of the position of Trust Examiner. In view of the System policy adopted in 1933 (Loose-Leaf Service #9185), it is assumed that this change is a temporary arrangement made, perhaps, to meet a particular situation and that within a reasonable time the position will be restored and filled by a man well qualified for the work."

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of May 19, 1942, in which you state that you have written to the President of each Federal Reserve Bank with respect to the possibility of establishing the Federal Reserve Banks as essential industries so that key men could be permanently deferred. You state in your letter that it would seem that the proper method of procedure would be to have the Board of Governors of the Federal Reserve System request that the Banks

"be added to the list of essential industries as classified in the letter dated March 16, 1942, from the National Headquarters of the Selective Service System to all State Directors (I-405).

"This question was considered by the Board at a recent meeting at which time reference was made to a memorandum dated February 9, 1942, addressed by the President to the heads of all establishments and agencies of the Federal Government, in which he stated that the policy with respect to deferment from military training and service on occupational grounds recommended in the memorandum signed by the Secretary of the Treasury, the Secretary of War, the Secretary of Navy, the Director of the Selective Service System, and an Administrative Assistant to the President, dated February 5, 1942, had his approval and all concerned should be governed accordingly. A photostat of the memorandum referred to is enclosed for your information.

"It was also brought out at the Board meeting that the Treasury Department and the War Production Board have adopted a policy of not requesting the permanent deferment of anyone in their organizations. It is understood that the Treasury has asked for a deferment for a period of three months for six or seven persons, and in one instance has extended the request for a total period of six months.

"In these circumstances the Board of Governors does not feel that it would be justified in asking the Director of the Selective Service System to add the Board of Governors or the Federal Reserve Banks to the list of essential industries for the purpose of obtaining permanent deferment of employees registered under the Selective Service System."

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letters of February 24 and March 9 regarding the conversion of a charge account into an instalment account, and the Board's letter of March 6 to you on this subject.

"In the light of Regulation W as revised effective May 6, the Board believes that an instalment credit arising

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"out of the conversion of a charge account which in turn arose in whole or in part out of the sale of a listed article is not an instalment loan, and that it is therefore not necessary for the creditor to obtain a Statement of Borrower as provided in sections 6(d) and 7(d). Consequently, a bank discounting instalment notes arising out of such conversions would not need to require a Statement or ask the merchant to require one.

"This position is consistent with that indicated in footnote 8 in the revised Regulation, which refers to section 5(d)(2), and although it is not the same as the position taken in the Board's letter of February 14 to you, that letter was based upon the Regulation before section 5(d)(2) was written.

"It is believed that the need of answers to the other questions in your letters of February 24 and March 9 has been eliminated by the subsequent revision of Regulation W, but if you have any other questions please let us know."

Approved unanimously.

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

"With your letter of May 18, 1942 you enclosed a copy of a letter of May 18 from The Brunswick-Balke-Collender Company inquiring whether extensions of credit in connection with the sale of billiard tables and billiard supplies and bowling alleys and bowling supplies manufactured by it are subject to Regulation W. The Company states that a great majority of its sales are to persons engaged in the business of operating billiard and bowling establishments and, at least as to these sales, it is the Company's position that the aforementioned extensions of credit are exempt under section 8(f).

"The Board agrees with your position that billiard tables and billiard supplies and bowling supplies are sports' and games' equipment under section 13(a), Group A-33, but that bowling alleys, as distinguished from bowling supplies, become a permanent part of the structure in which installed and therefore are not to be considered as falling within the meaning of the word 'equipment' in Group A-33. In addition, Group C would also

"be inapplicable if the structure, or a distinct part thereof, in which bowling alleys are installed is designed exclusively for nonresidential use.

"The Board also agrees with your position that an extension of credit to a bowling or billiard establishment for the purchase of the listed articles just indicated, is not exempted by section 8(f), not being made to finance a purchase 'for resale or installation' as those terms are used in section 8(f). The person operating the bowling or billiard establishment does not resell the articles he purchases from the Company nor does he install them in premises belonging to third persons, for the exclusive use and benefit of such persons. Of course, any extensions of credit by the Company in connection with the sales of any such listed articles to dealers, e.g., retail sporting goods stores, would be exempt under section 8(f)."

Approved unanimously.

Letter to Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In your letter of May 21, 1942, you requested our views as to whether Regulation W applies to extensions of credit to restaurants and hotels by restaurant and hotel supply houses in connection with the sale of furniture, bedding, table linen, silverware, pots and pans, etc., and the sale and installation of ranges, etc. You suggest that section 8(f), or some other section of the Regulation, exempts such extensions of credit so that section 4 or 5 would be inapplicable.

"The Board's view is that section 8(f) does not exempt such extensions of credit. Purchases of such articles by restaurants and hotels are not for resale nor are they for installation in premises belonging to third persons, for the exclusive use or benefit of such persons. Except for cases covered by section 8(1), the restrictions of the Regulation would be applicable.

"You will note, however, that many of the articles listed in section 13(a) are those designed for household or home use. Any of these articles which are designed solely for use in commercial establishments, and not designed for both household and commercial use, should be

"considered unlisted articles for the purposes of the Regulation. See S-474-a."

Approved unanimously.

Letter to Mr. F. G. Bailey, Assistant Director of the Bureau of the Budget, reading as follows:

"This is in response to your letter of May 18, 1942 to Chairman Eccles requesting an expression of views regarding the enactment of H.R. 6521, a bill 'To extend certain benefits of the Soldiers' and Sailors' Civil Relief Act of 1940' and enclosing copies of proposed reports to the Chairman of the Committee on Military Affairs of the House of Representatives which had been submitted to your office by the Secretary of War and the Secretary of the Navy and also a copy of a letter on this subject which the Attorney General had addressed to your office under date of April 10, 1942, from which it appears that there may be some differences of opinion as to the desirability of the proposed legislation.

"The Board is advised that H.R. 6521 is one of a number of bills to amend the Soldiers' and Sailors' Civil Relief Act of 1940 which were referred to a subcommittee of the Committee on Military Affairs for consideration; that this subcommittee has introduced a new bill, H.R. 7029, containing comprehensive amendments to the Soldiers' and Sailors' Civil Relief Act of 1940; that the Committee on Military Affairs has held hearings on H.R. 7029 and expects to make a report thereon in the near future; and that H.R. 6521 will receive no further consideration.

"In the circumstances, it is assumed that you will not care for an expression of views as to the desirability of the enactment of H.R. 6521."

Approved unanimously.

Chairman Eccles stated that, in accordance with the request of the Board, Frank J. Lewis came to Washington today and tendered his resignation as Class C director and Chairman and Federal Reserve Agent at the Federal Reserve Bank of Chicago to take effect at the pleasure

of the Board of Governors.

The resignation was accepted as of July 1, 1942, with the understanding that Chairman Eccles would address a letter to Mr. Lewis thanking him for his services and would advise President Young of the Federal Reserve Bank of Chicago by telephone of the Board's action.

Thereupon the meeting adjourned.

Assistant Secretary.

Approved:

Chairman.