

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 2, 1942, at 10:30 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 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 June 1, 1942, were approved unanimously.

Memorandum dated June 2, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of Joseph P. Harris, Jr., as a guard in the Secretary's Office, to become effective as of the close of business today, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Cleveland, made as of March 18, 1942, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Fleming.

6/2/42

-2-

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

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

"This refers to your letter of May 15, 1942 with regard to an apparent violation of Regulation W by Mr. Paul Lowrey.

"We have forwarded to your bank, under date of May 28, 1942, an outline of a program of enforcement of the provisions of Regulation W, and it is suggested that you handle any violations by Mr. Lowrey in accordance with such program.

"While it appears that the violations of Mr. Lowrey which are described in your letter were apparently willful, there are some aspects of the case which would make it somewhat difficult to base proceedings on such violations. If the penalty we attempted to inflict should be suspension of a license, the proceedings would be based on a violation which occurred prior to registration. On the other hand, if the failure to register was reported to the Attorney General as a basis for criminal prosecution, it would apparently be claimed that failure to register was due to ignorance of requirements and that all possible steps had now been taken to obtain a registration. In all the circumstances, it does not appear that the violations indicated in your letter would form as strong a basis as might be desirable for initiation of proceedings, particularly as a first case. In view of the apparent attitude of Mr. Lowrey, it appears probable that under the spot-checking arrangements which it is contemplated will be carried out under the Board's program of enforcement, other violations by him will be discovered upon which

6/2/42

-3-

"appropriate proceedings may be based, if you then feel that such proceedings are desirable.

"If in the light of the Board's program and the above comments you should be inclined to differ with the conclusions indicated by such comments we shall, of course, be glad to be advised of your views. On the other hand, if you concur in such conclusions there would seem to be no reason why a certificate evidencing registration should not be issued if the registration statement furnished you by Mr. Lowrey is in order. If this action is taken, it would appear desirable to put Mr. Lowrey on notice that you are not satisfied with his past transactions in view of the requirements of Regulation W and that his future transactions will be subject to inspection by representatives of the Federal Reserve Bank."

Approved unanimously.

Letter to Mrs. Frances Hodges of the White House Market, Wichita Falls, Texas, reading as follows:

"Your letter of May 8, 1942, addressed to Congressman Ed Gossett has been referred to this office since it is the Board's Regulation W which relates to consumer credit.

"You are correct that the list of articles mentioned in Regulation W does not contain groceries and consequently the regulation has no application to credit sales of groceries except in certain cases where the customer also purchases listed articles from the same merchant. The regulation of retail credit is confined, in general, to sales of durable and semi-durable consumers' goods. It was thought undesirable, at this time, to subject the retailers of foods to this regulation as food is a basic item of subsistence. We are very glad to have your comments and thank you for your interest.

"The administration of Regulation W has been decentralized and is handled by the twelve Federal Reserve Banks and their twenty-four branches. If you have further inquiries or comments, it is suggested that you send them to the Federal Reserve Bank of Dallas."

Approved unanimously.

6/2/42

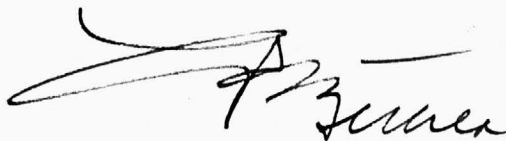
-4-

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

"After considering replies to Board's letter R-982 and discussing matter with Chairman of Presidents' Conference Committee on Reimbursable Expenses, it is suggested that vouchers for reimbursement of expenses incurred during period April 16 to May 31, 1942, in connection with work performed pursuant to Executive Order 9112 for War Department, Navy Department and Maritime Commission be forwarded through Board's Division of Bank Operations, in order that they may be examined by Division or by Committee appointed by Chairman of Reimbursable Expense Committee to see that vouchers for all Banks are compiled on substantially uniform basis. If method used in allocating expenses is different from that stated in reply to letter R-982, please state method used. It is assumed that reimbursement will not be requested for cost of printing and distributing Regulation V."

Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.