

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 15, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Szymczak  
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 June 12, 1942, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 13, 1942, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated June 11, 1942, from Mr. Nelson, Assistant Secretary, recommending that John N. Lyon, a clerk in the Secretary's Office, be granted a leave of absence without pay beginning June 15, 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 June 12, 1942, from Mr. Goldenweiser, Director

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of the Division of Research and Statistics, submitting the resignation of Mrs. Rose H. Schultz as a clerk-stenographer in that Division, to become effective as of the close of business on July 15, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated June 13, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Miss Josephine F. Bertolini as a clerk in that Division, to become effective as of the close of business on June 9, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated June 13, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of Umberto F. Salvetti as a laborer in the Secretary's Office, to become effective as of the close of business on June 15, 1942, and recommending (1) that the resignation be accepted as of that date, and (2) that he be paid two months' salary, amounting to \$200, in a lump sum because of the termination of his employment.

The resignation was accepted and the payment to Mr. Salvetti of an amount equal to two months' salary (\$200) was approved unanimously.

Letter to the board of directors of the "Ravalli County Bank", Hamilton, Montana, stating that, subject to conditions of membership

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numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Minneapolis:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,078 as shown in the report of examination of such bank as of April 11, 1942, made by an examiner for the Federal Reserve Bank of Minneapolis."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Ravalli County Bank', Hamilton, Montana, 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 Montana for his information.

"It has been noted that the general condition of the bank is regarded as only fair and that although the present management is considered capable of working out the problems, more substantial progress toward that end should have been made. It is assumed, of course, that the Reserve Bank will give the bank close supervision and insist upon a more aggressive administration of the bank's affairs."

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

"In accordance with request received from Colonel Mechem of War Department, it will be appreciated if you

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"will make available to liaison officers located in your city, such secretarial and other services and supplies as they may require, including telephone and telegraph service, office supplies not furnished by Washington, office space, etc., all on a reimbursable basis. Expenses thus incurred may be included along with other expenses incurred by Reserve Bank on behalf of War Department pursuant to Executive Order 9112."

Approved unanimously.

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

"The Board has received from the Navy Department a letter to all Federal Reserve Banks signed by Mr. S. A. Mitchell, Chief of Finance Section, stating that the standard form of guarantee agreement of May 14, 1942, with certain necessary minor changes therein, will be used in cases arising under paragraph (f) of section 2 of the Navy Department's instructions to all Federal Reserve Banks, where a guarantee agreement is entered into between the Navy Department and a Federal Reserve Bank with respect to a loan made or participated in by such Federal Reserve Bank.

"A copy of Mr. Mitchell's letter is enclosed herewith together with a copy of the standard form of guarantee agreement of May 14, 1942, as modified in accordance with Mr. Mitchell's letter for use in cases in which a loan made or participated in by a Federal Reserve Bank is guaranteed by the Navy Department.

"We have not yet received advice from the War Department and Maritime Commission with respect to the form of agreement to be used in cases where a loan made or participated in by a Federal Reserve Bank may be guaranteed by those agencies."

Approved unanimously.

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

"The Board has received from the United States Maritime Commission a letter addressed to all Federal Reserve Banks dated June 12, 1942, and signed by Mr. R. E. Anderson,

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"Director of Finance, stating that the standard form of guarantee agreement of May 14, 1942, with certain necessary minor changes therein, will be used in cases arising under paragraph (g) of section 2 of the Maritime Commission's instructions to all Federal Reserve Banks of May 7, 1942, where a guarantee agreement is entered into between the Maritime Commission and a Federal Reserve Bank with respect to a loan made or participated in by such Federal Reserve Bank.

"In accordance with the Maritime Commission's request, there is enclosed a copy of Mr. Anderson's letter together with a copy of the standard form of guarantee agreement of May 14, 1942, as modified in accordance with his letter for use in cases in which a loan made or participated in by a Federal Reserve Bank is guaranteed by the Maritime Commission. You will note that the changes to be made in the standard form of guarantee agreement in cases of this kind are identical with the changes in the agreement which the Navy Department's letter of June 11, 1942, stated should be made in cases where a loan made or participated in by a Federal Reserve Bank is guaranteed by the Navy Department."

Approved unanimously.

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

"This refers to your letter of June 8, 1942, regarding the extent of your Bank's responsibility in passing on the legal sufficiency of documents required to be executed in connection with a loan to be guaranteed by the War Department, the Navy Department, or the Maritime Commission under Executive Order 9112.

"It is, of course, important that guarantees of loans under the Executive Order be executed with the least possible delay. However, it is our view that where the execution of a loan agreement, a 'stand-by' agreement, or other documents is required as a condition prerequisite to the execution of a guarantee, the Federal Reserve Bank in the discharge of its responsibility as fiscal agent should satisfy itself that such documents have been properly executed before the guarantee agreement is consummated. It would

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"seem to us that ordinarily this would be a matter for consideration by counsel for the Reserve Bank; but whether this is true and the extent to which the legal sufficiency of any such documents should be examined into would appear to depend upon the circumstances of the particular case.

"We have not taken your letter up with the War Department, Navy Department, or Maritime Commission; but, in the event that any question of this kind should arise in connection with the negotiation of a particular guarantee, we shall be glad to submit the question to the appropriate agency for its consideration."

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 28, 1942, addressed to Mr. Cravens, enclosing a copy of a letter from the Canadian Bank of Commerce of Seattle regarding the question whether branches of that Bank situated in this country may be named as assignees of contracts between the Navy Department and shipbuilding concerns.

"Following the receipt of your letter, we took the matter up with the Navy Department and there is enclosed a copy of a letter received by us on June 12, 1942, from Honorable James Forrestal, Acting Secretary of the Navy, with respect to the question presented. It will be noted that Mr. Forrestal's letter indicates the reason for which the clause in question was inserted in the particular contract here involved."

Approved unanimously.

Memorandum dated June 15, 1942, to Colonel J. C. Mechem, Executive Officer of the Division of Budget and Fiscal Administration, Service of Supply, War Department, reading as follows:

"You will recall that at the conference on June 4 question was raised as to the necessity for insertion in the guarantee agreement of the special condition quoted

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"in the memorandum from the War Department dated May 21, 1942, and it was understood at that time that this requirement would be dispensed with. This note is merely to remind you of the matter and there is enclosed for your consideration a suggested form of memorandum which could be used to accomplish the purpose."

Approved unanimously.

Memorandum dated June 11, 1942, from Mr. Smead, Chief of the Division of Bank Operations, reading as follows:

"Since Section 14b, as amended on March 27, 1942, provides for purchases of United States securities either in the open market or directly from the Treasury, and limits the amount of purchases that may be made direct from the Treasury to \$5 billion held at any one time, Mr. Rouse asked me whether it was considered necessary to show purchases direct from the Treasury, if and when made, separately from purchases in the open market in the Board's weekly press statement of condition of Federal Reserve Banks.

"It is recommended that I be authorized to advise Mr. Rouse informally over the telephone that purchases of United States securities direct from the Treasury will be combined with securities purchased in the open market in the weekly press statement.

"If any publicity is to be given to the amount of United States Government securities that may be purchased from time to time direct from the Treasury, it is believed that it would be sufficient to incorporate a paragraph or table thereon in the monthly bulletin."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.