A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 8, 1942, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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 July 7, 1942, were approved unanimously.

Memorandum dated July 6, 1942, from Mr. Morrill, recommending that Miss Edith L. Schaffner be appointed as a stenographer in the Secretary's Office, 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. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of your Bank involving the creation of the position of Research Supervisor in the Department of Research and Statistics, as requested in your letter of June 29, 1942."

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

"As requested in your letter of July 3, 1942, the Board of Governors approves the changes in the personnel classification plan of your Bank involving increases in the maximum annual salaries for the positions of Supervisor and Audit Senior Clerk in the Auditing Department at the head office."

Approved unanimously.

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

"Re Board's telegram April 2, 1942, and subsequent telegrams regarding Federal tax on dividends on Federal Reserve Bank stock. The Treasury Department has issued a Treasury Decision, dated July 6, 1942, to the effect that for the purposes of Section 6 of the Public Debt Act of 1942, Federal Reserve Bank stock is deemed to be issued at the time and to the extent that payment therefor is made to the Federal Reserve Bank. The date of issuance of a certificate is not determinative if payment is made at an earlier or later date. The full text of the Treasury's Decision will be mailed your bank promptly."

Approved unanimously.

Letter to Colonel John C. Mechem, Chief of the Miscellaneous Branch, Fiscal Division, War Department, reading as follows:

"We enclose herewith a copy of a letter dated July 3, 1942, which we have received from the Federal Reserve Bank of Cleveland. You will observe that the question is raised whether two signed copies of each guarantee agreement should be made available to the financing institution in order that one such copy may be delivered to the borrower, and if so whether the financing institution should be definitely instructed to deliver such a copy to the borrower. We are also furnishing a copy of this letter to the Navy Department and the Maritime Commission.

"We will appreciate your advices in regard to this matter and will, of course, be glad to transmit your views in the matter to the Federal Reserve Banks if you so desire."
Approved unanimously, together with
similar letters to Mr. Sidney A. Mitchell,
of the Navy Department, and to the Maritime
Commission.

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

"Referring Secretary Morgenthau's wire seventh to you
regarding the services of Victory Fund organization in con-
nection with new issues, we understand that some question
has been raised as to whether Federal Reserve Banks may make
available to executive managers of Victory Fund committee
names of member banks having substantial excess reserves for
use in committee work. Your bank is authorized to make such
information available, stressing its confidential nature, if
in opinion of your committee it will be helpful in campaign.
Any such list, however, should not be published."

Approved unanimously.

Letter to Honorable Theodore G. Bilbo, United States Senate,
reading as follows:

"Reference is made to your letter of July 1, 1942, en-
closing a letter from Mr. J. F. McCauley, Vice President,
Bank of Philadelphia, Philadelphia, Mississippi, proposing
that Federal Reserve Banks hold United States Government se-
curities in safekeeping for banks that are not members of the
Federal Reserve System.

"Membership in the Federal Reserve System carries with
it certain obligations and certain privileges. The principal
obligation is that the member bank must carry a reserve bal-
ance with a Reserve Bank equal to specified portions of its
demand and time deposits. Among benefits of membership,
which are thought by many country banks to be important, par-
cicularly those with limited vault facilities, is the privi-
lege of depositing in safekeeping with the Federal Reserve
Banks certain of their securities. While the Federal Reserve
Banks do not hold securities in safekeeping for all member
banks, the service is tendered where there is a real need
for it. If the safekeeping service were to be extended to
nonmember banks, it would not only add to the expenses of the
Federal Reserve Banks but would take away one of the incen-
tives for membership in the Federal Reserve System. The
Board would not, therefore, favor the extension of the safe-
keeping service to nonmember banks."
"This refers to your letter of June 17 regarding the question whether section 3(b) of Regulation W is applicable to a loan for the purpose of purchasing shares in a credit union chartered under the laws of the State of Minnesota.

"The question is one which, as you indicate, is not very clear, but an examination of the Minnesota statute, and other statutes relating to credit unions, including the Federal credit union law, indicates that they are incorporated institutions and that a person purchasing their shares should be regarded as purchasing 'stock' within the meaning of section 8(b)."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Secretary.

Vice Chairman.