

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 20, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 18, 1942, were approved unanimously.

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

"Interest fees and other charges derived by Maritime Commission from loans and guarantees, referred to in Section 5 of Instructions to all Federal Reserve Banks dated May 7, 1942, should be credited to General Account of U. S. Treasurer for account of Maritime Commission, account '69X0200 Construction Fund, U. S. Maritime Commission, Act June 29, 1936, Revolving Fund'. CD form 6599 should contain appropriate description of item credited. One copy of CD should accompany transcript to Treasury and one copy should be mailed to Office of Director of Finance, Maritime Commission, Washington, D. C. Expenses and losses incurred account Maritime Commission will be paid from above account. You will be advised later with respect to account to be credited for interest fees and other charges collected on behalf of Navy Department."

Approved unanimously.

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

"Receipt is acknowledged of your letter of July 13, enclosing a letter addressed to your bank by Mr. L. L. Meek, General Manager, Plymouth Co-Operative Oil Company,

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"Le Mars, Iowa, under date of July 8, regarding Regulation W. Mr. Meek's letter is returned to you herewith.

"Mr. Meek says that his organization is a cooperative institution which is doing approximately \$300,000 of business annually and has a distinct setup for their accounts receivable under 15 different names, representing the various stations which make collections and transmit them to the Company. Mr. Meek says 'when a customer charges at two or more of our stations we tie his account together at the end of the month, and all accounts receivable are considered due the company as a whole; however, each man being responsible for his account throughout the month, has no connection whatsoever with any station outside of his own.'

"It is assumed that there is only one Registrant and only one seller, and this assumption seems to be borne out by the statement that where a customer charges at two or more stations, his accounts are tied together at the end of the month. If this assumption is correct, the restriction of section 5(b) must be applied to all the accounts of the customer with the Company if the customer is in default with respect to any of them, in view of section 2(g).

"In the circumstances, it is not clear why it would be unduly difficult for the Company to ascertain what customers were in default and advise all of its stations that no listed articles could be sold to those customers on credit until their defaults were cured.

"It is assumed that the Company understands that the Regulation does not prevent the sale of unlisted articles on credit even though the account is in default.

"We shall be glad to receive any further comment or information which you or Mr. Meek may care to furnish regarding this matter."

Approved unanimously.

Telegram to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Suggestion of kind made in your wire of July 15 was considered in connection with Board's wire of July 14 but it was felt that Federal Reserve Banks should not be placed in position of attempting to make tax rulings for member banks which it would seem they would necessarily have to do in reaching a conclusion as to what shares would be included in certificate representing shares issued prior to March 28

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"and in certificate representing those issued subsequent to that date. It seems clear under Treasury decision that whether or not there are one or more certificates would not control ultimate conclusion as to whether specific shares of Federal Reserve Bank stock are taxable. It is also understood informally that where member bank records are properly maintained issuance of two certificates would not affect application of first-in-first-out rule. It is important for member banks to so maintain their records as to enable them to determine the dates of issuance and surrender of various shares of Federal Reserve Bank stock and it would be appropriate for your bank to emphasize this phase of the matter in any communication you may have with member banks regarding the matter. In view of your suggestion and an inquiry received by another Federal Reserve Bank from a member bank we are undertaking to obtain a formal ruling from Bureau of Internal Revenue regarding effect, if any, of first-in-first-out rule on Federal Reserve Bank stock transactions and with respect to records which should be maintained by member banks. We expect to publish text of statute and Treasury decision in next Bulletin for information of member banks."

Approved unanimously, with the understanding that copies of the above telegram would be sent to the Presidents of all the other Federal Reserve Banks.

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

"You will recall our letter of April 27 in regard to bank holidays and the subsequent consideration of the subject including the discussions during the recent conference of the Presidents.

"The Board recognizes that in view of varying conditions in different Federal Reserve Districts, including State laws and local customs, each Federal Reserve Bank must determine whether its offices and branches should remain open on bank holidays and the extent to which its personnel needs to be on duty to provide necessary services and facilities.

"As a general principle, recognizing that the Federal Reserve System is a public institution, the Board feels that the services of the System, the Banks and branches should be available during the emergency wherever and

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whenever necessary to accommodate the Government, including the armed services, and those engaged in war production.

"The Board will be glad to be kept informed as to any change in your practice which has not been reported previously, and the Board will in turn keep you advised of any further considerations of public concern on this subject."

Approved unanimously.

Thereupon the meeting adjourned.

Colchester Marice
Secretary.

Approved:

W. S. Coates
Chairman.