

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 29, 1942, at 1:45 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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 July 28, 1942, were approved unanimously.

Letter to the board of directors of "The Veedersburg State Bank", Veedersburg, Indiana, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Veedersburg State Bank', Veedersburg, Indiana, for membership in the Federal Reserve

7/29/42

-2-

"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 Director, Department of Financial Institutions for the State of Indiana, for his information.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in the event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice.

"While the volume of trust business is small and the trust department personnel is reported to be both adequate and competent, it has been noted that there is no duly designated trust officer or trust committee and no record of any supervision of the trust department by the bank's board. It is understood that you will follow the matter of the bank's revising its trust operations to conform to approved organization and procedure."

Letter to the board of directors of the "State Street Bank and Trust Company", Quincy, Illinois, stating that, subject to conditions of membership numbered 1 to 6 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 St. Louis:

"7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,276.83, as shown in the report of examination of such bank as of May 18, 1942, made by an examiner for the Federal Reserve Bank of St. Louis."

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

7/29/42

-3-

"The Board of Governors of the Federal Reserve System approves the application of the 'State Street Bank and Trust Company', Quincy, Illinois, 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 Auditor of Public Accounts for the State of Illinois for his information.

"It has not been the practice of the Board to prescribe generally a condition of membership to require prior approval of distributions or payments on waived deposits, and it is felt that there are not sufficient reasons for prescribing such a condition in this case. However, the Reserve Bank, in the regular course of supervision, should of course undertake to see to it that unwarranted distributions are not made by the bank; and, on the other hand, the Reserve Bank should also endeavor to see to it that full and proper consideration is given to the rights of the waiving depositors.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations its requirements with respect to savings deposit withdrawals."

Letter to the board of directors of the "State Bank of Hardinsburg", Hardinsburg, Indiana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 St. Louis.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of Hardinsburg', Hardinsburg, Indiana, for membership in the Federal

7/29/42

-4-

"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 Director, Department of Financial Institutions for the State of Indiana, for his information.

"It is assumed that you will follow the matter of the bank's reducing to within statutory limits the excess balances carried with nonmember banks."

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

"The Board approves a reduction to not less than \$220,000 in the preferred stock of the Southwest Bank of St. Louis, St. Louis, Missouri. Approval is given with the understanding, of course, that the reduction is effected in accordance with the plan submitted with your letter of July 3, 1942, and that your counsel is satisfied as to the legal aspects involved."

Approved unanimously.

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

"In connection with the question of preserving old records for the purposes of Regulation W, a letter has been received from a Federal Reserve Bank saying that a trust company in its district proposes to destroy periodically loan applications, credit reports and correspondence, collection material, work papers and memoranda, in connection with the various instalment loans which have been repaid in full. They propose to retain accounting records indefinitely, such as discount ledger, check ledger and general journal and ledger records, all entries reflecting repayment of loans and the ledger cards on which repayments are posted, as well as Statements of Borrower and Statements of Necessity obtained in connection with these loans.

"The Board has not yet prescribed any rules regarding the keeping of records, pursuant to section 12(h) of the Regulation. Moreover, section 12(i) is broad enough to authorize the Board to require the production of any papers

7/29/42

-5-

"in connection with any paid-up loan. However, the material which the trust company intends to retain would seem to include everything reasonably necessary to enable the examiner to determine whether or not there had been compliance with Regulation W. The question is one which concerns the Federal Reserve Banks more directly than the Board, and therefore the Board will certainly wish to have their views before expressing an opinion. Consequently, it will be appreciated if you will furnish the Board with such comments as you may wish to make regarding the above proposal."

Approved unanimously, with the understanding that identical letters would be sent to the officers in charge of Regulation W at all of the other Federal Reserve Banks except Cleveland.

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

"This refers to your letter of July 21, 1942 concerning the request by several of the financial institutions in your district that they be permitted to use up their supplies of the old Statement of Borrower, Form F. R. 564. These institutions wish to continue the practice of using the old forms with certain corrections after July 31, 1942 when, according to the Board's letter of May 11, 1942, the new Form F. R. 564-a is mandatory.

"This is the only request for such permission which has been received and we doubt that the wastage eliminated would be so substantial as to warrant the action. Such an approval involves a complicated procedure, the cost of which would be likely to exceed by far the savings in paper. For example, it would involve filing a record of the action with the Federal Register and this in itself would result in the use of a great deal of paper.

"In view of the fact that the lenders were given almost three months to use up their old supplies and were warned in the box at the top of the specimen form that they should not stock large supplies, it would appear that the Board had done as much as it could to prevent any widespread waste of this kind."

Approved unanimously.

7/29/42

-6-

Letter to Mr. Gilmore, Assistant Cashier of the Federal Reserve Bank of St. Louis, reading as follows:

"Receipt is acknowledged of your letter of July 20 asking whether the acceptance of postdated checks would amount to a written agreement complying with section 5(d)(2) of Regulation W regarding the curing of a default in a charge account.

"The Board agrees with you that although a postdated check would be evidence in writing of an agreement as described in section 5(c)(2), the postdated checks would not constitute 'a written agreement' as described in section 5(d)(2).


"A postdated check can be evidence of an agreement so as to satisfy the Statute of Frauds, but the phrase 'a written agreement' in section 5(d)(2) refers to a contract in writing and not merely a 'note or memorandum' of the agreement."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.