

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

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice 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 hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 19, 1942, were approved unanimously.

Memorandum dated August 18, 1942, from Mr. Morrill, recommending (1) that the temporary appointment of Mrs. Loretta D. Beale, a junior file clerk in the Secretary's Office, be made permanent and her salary increased from \$1,260 to \$1,440 per annum, effective September 1, 1942, and (2) that the salaries of Misses M. Elizabeth Jones and Hazel L. Simpson, junior file clerks in the Secretary's Office, be increased from \$1,440 to \$1,560 and \$1,500 per annum, respectively, effective September 1, 1942.

Approved unanimously.

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Memorandum dated August 17, 1942, from Mr. Dreibelbis, General Attorney, recommending that Mrs. Frances C. Cashell, a stenographer in the Legal Division, be designated as his secretary, with an increase in salary from \$1,800 to \$2,000 per annum.

Approved unanimously, effective as of September 1, 1942.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of August 13, 1942, the Board approves the appointment of Thomas P. Howard as an examiner for the Federal Reserve Bank of New York and the appointments of the following as assistant examiners:

Francis A. Gilpin

John F. Huf

Louis J. Knoepfel

James M. McComb

Theodore E. Nowak

"Please advise us of the dates upon which these appointments become effective."

Approved unanimously.

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

"In accordance with your request, the Board of Governors approves the changes in the personnel classification plan of the Louisville Branch, submitted with your letter of August 8, 1942.

"Since page 18 has been canceled and the revised sheets do not include a page of that number, a new page 18 has been prepared to preserve the numerical sequence of the pages. A duplicate copy of this page is enclosed for your use."

Approved unanimously.

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Telegram to Mr. Nardin, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Relet August 17. Board approves appointment of Garland H. Parsell as Federal Reserve Agent's Representative at the Louisville Branch, effective September 1, 1942, with salary at \$2,400 per annum, with the understanding that he will be placed upon Agent's payroll and be solely responsible to him, or during vacancy in office of Agent to Assistant Federal Reserve Agent, and to Board of Governors for proper performance of duties. When not engaged in performance of his duties as Federal Reserve Agent's Representative he may, with approval of Federal Reserve Agent (or, in his absence, of Assistant Federal Reserve Agent) and Branch Managing Director, perform such work for Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative. Parsell should execute usual oath of office and surety bond in amount of \$10,000 and he should not enter upon performance of duties as representative until bond has been examined by your Counsel to determine whether its execution complies fully with the rules printed on reverse side of form of bond following which bond should be forwarded to Board promptly for approval. Please advise when appointment actually becomes effective and Parsell assumes his duties."

Approved unanimously.

Letter to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with your request, the Board of Governors approves the revised sheet 12-A in the Personnel Classification Plan of the Helena Branch, submitted with your letter of August 13, 1942."

Approved unanimously.

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

"Receipt is acknowledged of your letter of August 12 regarding the effect of Regulation W upon so-called 'Mr.

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"and Mrs.' accounts under which a husband and wife have goods charged to their separate names.

"The answers which you have given appear to be correct under the facts which you have stated. If the store permits the husband to charge goods to his wife's account and vice versa, it would seem that the accounts are in reality one account in two parts, and the freezing of either part would freeze both. On the other hand, if the accounts are separate in fact (as where a doctor has an account in which he charges things for his office, and his wife has another account which is used for domestic purchases, neither being permitted to charge things to the other's account), there would be two entirely separate accounts, and the freezing of one account would not freeze the other.

"As you intimate, the answer will depend upon the facts of the particular case, and consequently the above answers are necessarily general in terms. A somewhat related question was received from another Federal Reserve Bank, and a copy of the body of the reply is enclosed since it may be of interest to you in this connection."

Approved unanimously.

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

"At the meeting of the Presidents' Conference on June 22-23, 1942, the Conference agreed that it should take appropriate steps to seek authority from the Secretary of the Treasury to put into circulation the existing stocks of unissued 1928 series Federal Reserve notes as a war emergency measure to conserve labor and materials.

"As you know, this matter, as well as the issuance of existing stocks of Federal Reserve Bank notes, has been under consideration with the Treasury for several months and, although Mr. Szymczak has conferred with Under Secretary Bell from time to time regarding it, the Treasury has not yet reached a decision. A letter is going forward to Mr. Bell today calling attention to the action of the Presidents' Conference and we will inform you as soon as the Treasury determines its position with respect to the release of these notes."

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Approved unanimously, together with a letter to Under Secretary of the Treasury Bell calling his attention to the action of the Presidents' Conference.

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

"You will recall that, at the suggestion of the Board, the Presidents of the Federal Reserve Banks discussed at their last Conference the desirability of discontinuing the submission to the Board of Governors of the annual budgets of the Federal Reserve Banks, when it was voted that the preparation of these budgets should be discontinued for all functions other than statistical and analytical and bank examination, with the understanding that each Bank would continue to exercise proper control over its operating expenses.

"The Board concurs in this action and, with the two exceptions noted, approves the discontinuance of the submission to it of the annual budgets of the Federal Reserve Banks until such time as it appears that the matter should again be reviewed."

Approved unanimously.

Letter to Mr. Day, Chairman of the Presidents' Conference, Federal Reserve Bank of San Francisco, reading as follows:

"The suggestion has been renewed that the rate in effect at a Federal Reserve Bank on advances under section 10(b) of the Federal Reserve Act should not exceed the highest discount rate charged by the Bank under the provisions of sections 13 and 13a of the Federal Reserve Act by more than the 1/2 per cent now required by law. Although few section 10(b) advances have been made by the Reserve Banks in recent years, the Board believes it will be desirable to give consideration to the adoption by the System of such a policy and will appreciate it if you will have the matter placed on the docket for discussion at the next meeting of the Presidents' Conference.

"In this connection, the Board of Governors has noted the comments contained in the minutes of the Conference of Presidents held in Washington on June 22-23, 1942, under the subject of discount rates and will be glad to discuss

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"this matter with the Presidents at the time of their next meeting."

Approved unanimously.

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

"Since September 1935, member firms of the New York Stock Exchange that carry margin accounts for customers have been filing with the Federal Reserve Banks monthly reports of their ledger balances on Form F.R. 240. In view of the inactivity that has existed in the stock market for some time, the Board has now determined to permit the filing of semiannual instead of monthly reports by all of these firms with the exception of the 15 firms having the largest amount of customers' debit balances.

"Will you please send to the Board as soon as possible the names of reporting firms (if any) in your district that had customers' debit balances (Item 5 of Form F.R. 240) exceeding \$5,000,000 on June 30, 1942, with their figures for this item. Out of such firms, the Board will determine which are the 15 reporting the highest amounts, which will continue for the present to file monthly reports.

"Please request semiannual reports, therefore, as of December 31, 1942 and each June 30 and December 31 thereafter, from all firms which are now reporting to you monthly on Form F.R. 240 but which reported customers' debit balances of less than \$5,000,000 as of June 30. It will not be necessary for you to obtain any further monthly reports from these firms for the present. As to any firms in your district with customers' debit balances exceeding \$5,000,000, the Board will notify you which firms are to continue reporting monthly and which are to report semiannually.

"All of the reporting firms that do not carry margin accounts for customers, or which are not members of the New York Stock Exchange but only of outside exchanges, are already reporting at semiannual instead of monthly intervals, and the present action of the Board will not affect these firms.

"The Board has also authorized two minor changes in Form F.R. 240 as follows:

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- "(1) The instruction as to the date when the report must be filed, may be changed to read as follows:

'This report is to be sent to the Federal Reserve Bank of _____ as soon as possible after the end-of-month date to which it relates, and should reach the Federal Reserve Bank in any event (except by special arrangement) not later than the 10th full business day of the following month.'

- "(2) The question 'Is firm otherwise extending any credit to customers?' may be deleted.

"It is suggested that you continue to use the present forms until your supply is exhausted, but that these changes be incorporated in any new supply printed in the future."

Approved unanimously.

Letter to Mr. C. B. Harms, Vice President of the Farmers & Merchants Bank, Rochester, Indiana, reading as follows:

"Reference is made to your letter of August 14, 1942, proposing that Federal Reserve Banks hold United States Government securities 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 balance 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, particularly those with limited vault facilities, is the privilege 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 incentives for membership in the Federal Reserve System. The Board would not, therefore, favor the extension of the safekeeping service to nonmember banks."

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Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, enclosing copies of the incoming letter and the above reply.

Thereupon the meeting adjourned.

Chester Morril
Secretary.

Approved:

W. C. Miller
Chairman.