

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 14, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

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 October 13, 1942, were approved unanimously.

Memorandum dated October 13, 1942, from Mr. Leonard, Director of the Division of Personnel Administration, recommending, with the concurrence of the Division of Research and Statistics, that Miss Helen Lindsley Brown be transferred from the latter Division to the Division of Personnel Administration as a clerk, with no change in her present salary at the rate of \$1,560 per annum, effective as of October 16, 1942.

Approved unanimously.

Memorandum dated October 14, 1942, from Mr. Morrill, submitting the resignation of Reginald C. Power as a junior operator (duplicating devices) in the Secretary's Office, to become effective as of the close of business on October 27, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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Letter to Mrs. Valerie R. Frank, Secretary of the Retirement Committee of the Retirement System of the Federal Reserve Banks, Federal Reserve Bank of New York, reading as follows:

"We thank you for your letter of October 7, 1942, giving us the status of the retirement contributions of certain employees of the Board who are now on leave without pay.

"In accordance with the request made in your conversation with Mr. Leonard, arrangements have been made whereby in the future, beginning with the pay roll period ending October 15, 1942, the amount forwarded by the Board covering contributions made by the Board's employees to the Retirement System will include the required payments for the Board's employees on leave without pay who are continuing their contributions to the System.

"With regard to the cases of Mrs. Faulkner and Mrs. Collier, you are advised that we expect Mrs. Faulkner to return to duty on November 3rd and Mrs. Collier on December 15th."

Approved unanimously.

Letter to "The Hunterdon County National Bank of Flemington", Flemington, New Jersey, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of New Jersey, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

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Letter to the Honorable Lindsay C. Warren, Comptroller General of the United States, reading as follows:

"Attached is a copy of a letter dated October 7, 1942 from the Federal Reserve Bank of Minneapolis setting forth a situation involving an assignment of a Letter of Intent and an assignment of a Notice of Award and inquiring whether there is any doubt as to the assignability of Letters of Intent and Notices of Award.

"It will be appreciated if you will give this Board such advice in the matter as you can in order that we may notify the Federal Reserve Bank of Minneapolis."

Approved unanimously, together with a letter to Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, advising him of the forwarding of his letter to the Comptroller General for an opinion.

Memorandum dated October 12, 1942, from Mr. Ransom and Mr. Parry, Chief of the Division of Security Loans, submitting and recommending the adoption, for the reasons stated in the memorandum, of the following Amendment No. 9 to Regulation W, Consumer Credit:

"Amendment No. 9 to Regulation W

"Regulation W is hereby amended in the following respects, effective October 26, 1942:

"1. By adding to section 4 entitled 'INSTALMENT SALES' the following new subsection:

(e) 'Approvals', 'Demonstrators', etc. - In case a listed article is delivered in anticipation of an instalment sale of that article or a similar article (such as a delivery 'on approval', 'on trial', or as a 'demonstrator'), the Registrant shall require, at or before the time of such delivery, a deposit equal to the down payment that would be required on such an instalment sale.

"2. By adding to section 5 entitled 'CHARGE ACCOUNTS' the following two new subsections (g) and (h), and by changing subsection (f) to read as follows:

(f) 'Authorization' of Small Items. - In case a Registrant makes a charge sale of a listed article the cash price of which is \$5.00 or less, he shall

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"not be deemed to have violated section 5(b) if the person authorizing such sale on behalf of the Registrant acts in good faith without knowledge that the customer's charge account is in default, provided the Registrant, promptly upon discovery that such charge account is in default and in any event within 15 days from the date of sale, makes a request of the customer that he either return the article or else pay for it in full immediately.

(g) Small Defaults. - A charge account shall not be deemed to be 'in default' within the meaning of sections 5(c) or 12(m) if the amount in default is less than \$2.00.

(h) 'Approvals', 'Demonstrators', etc. - When a charge account is in default, the Registrant shall not deliver any listed article to the obligor in anticipation of a sale of that article or a similar article (such as a delivery 'on approval', 'on trial', or as a 'demonstrator'). When a charge account is not in default and the Registrant makes such a delivery of any article, the delivery (unless it is in anticipation of an instalment sale) shall be treated for the purposes of this regulation as a charge sale made on the date of the delivery."

By unanimous vote, the amendment was adopted, to become effective on October 26, 1942, with the understanding that the Federal Reserve Banks would be advised by wire of the Board's action and would be requested to have the amendment printed and distributed to interested persons, and that the Board would issue a press statement with respect to the amendment for release in the morning papers of October 16, 1942.

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

"It will be recalled that at the Presidents' Conference held during the latter part of September 1942, it was voted that any Federal Reserve Bank should be permitted during the war to hold in safekeeping for nonmember banks Treasury bills and certificates of indebtedness.

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"The Board has given consideration to this matter and, in view of the authority of Federal Reserve Banks to make advances to nonmember banks on the security of obligations of the United States, the press statement issued by the Board on September 1, 1939 relating to this subject, and other circumstances now prevailing, the Board will offer no objection to a Federal Reserve Bank's holding in safekeeping Treasury bills and certificates of indebtedness for the duration of the war in accordance with action taken at the Presidents' Conference referred to above."

Approved unanimously.

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

"Mr. J. W. Pehle, Assistant to the Secretary of the Treasury, has furnished the Board with a copy of his recent letter to you, with which he enclosed a graph depicting the following information with respect to foreign funds control activities of each Federal Reserve Bank for the fiscal year 1942:

- "1. The total number of applications received.
- "2. The number of applications acted upon by banks under General and Special Authorizations.
- "3. The cost per application received.

"It will be appreciated if you will furnish us with a copy of any important comments you make to Mr. Pehle with respect to the graph."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. Miller
Chairman.