

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 15, 1942, at 11:00 a.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 October 14, 1942, were approved unanimously.

Telagram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, stating that the Board of Governors approves for the Atlanta Bank, effective October 15, 1942, the rates established by the board of directors of the Bank of 1/2 per cent on advances to member banks, under paragraphs 8 and 13 of section 13 of the Federal Reserve Act, secured by direct or fully guaranteed obligations of the United States which have one year or less to run to call date or to maturity if no call date, of 2 per cent on advances to individuals, partnerships, or corporations other than banks under the last paragraph of section 13, and of 1-1/2 per cent on advances to member banks under section 10(b), and the establishment without change of the other rates of discount and purchase in the Bank's existing schedule.

Approved unanimously.

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Memorandum dated October 14, 1942, from Mr. Morrill, recommending that Stanley M. Love be appointed as a laborer in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated October 13, 1942, from Mr. Morrill, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of October 16, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mary L. Oddsson	Stenographer	\$1,440	\$1,560
Margaret Pauszek	Stenographer	1,620	1,740
Louise Douglas	Stenographer	1,620	1,740
Edith Schaffner	Stenographer	1,620	1,740
Helen Conley	Stenographer	1,680	1,740
D. Jeanne Krieger	General Assistant	2,400	2,600
Robert P. Warner	Clerk	1,680	1,800

Approved unanimously.

Memorandum dated October 14, 1942, from Patrick J. Winkler, a Federal Reserve Examiner in the Division of Examinations, temporarily assigned to the office of the Administrator for the War Loans Committee, submitted to the Board with a recommendation for approval by Mr. Smead, Acting Administrator for the War Loans Committee, requesting that Mr. Winkler be granted leave of absence without pay beginning October 17, 1942, so that he might enter active duty with the United States Army,

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and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously.

Letter to the board of directors of the "Granite Trust Company", Quincy, Massachusetts, 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 Boston:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$20,279.41 as shown in the report of examination of such bank as of July 20, 1942, made by an examiner for the Federal Reserve Bank of Boston."

Approved unanimously, together with the following additional letter to the board of directors of the "Granite Trust Company":

"In connection with your application for membership in the Federal Reserve System, the Board of Governors approves the retention and operation by the 'Granite Trust Company', Quincy, Massachusetts, after admission to membership, of the three branches in Weymouth, Massachusetts, the establishment and maintenance of which were approved on April 24, 1941, by the Commissioner of Banks of the Commonwealth of Massachusetts."

In connection with the above matter, unanimous approval was also given to a letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

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"The Board of Governors of the Federal Reserve System approves the application of the 'Granite Trust Company', Quincy, Massachusetts, 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 Commissioner of Banks for the Commonwealth of Massachusetts for his information.

"You will note that in the letter to the applicant bank attention is called to the fact that the bank as a member bank will be expected to comply with the terms of the conditions prescribed by the Federal Deposit Insurance Corporation in connection with the approval of the continuation of the branches acquired in the absorption of the Weymouth Trust Company.

"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 the savings accounts listed on page 2 of the report of examination for membership.

"Enclosed is a letter approving the retention and operation of branches at Weymouth, Massachusetts, which you are requested to forward to the board of directors of the applicant bank. Enclosed also is a copy of the letter for your files."

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

"With your letter of September 1, 1942, you transmitted to us a copy of a letter of August 31, 1942 from Mr. W. I. Barth, Vice President, First Wisconsin Trust Company, Milwaukee, Wisconsin, relating to the execution by 425 West Wisconsin Avenue, Inc., Milwaukee, Wisconsin of an agreement on Form P-3 (Exhibit L - Agreement to Permit Examinations) in connection with the application by Wisconsin Bankshares Corporation for a supplementary voting permit covering The Baraboo National Bank.

"Since such an agreement had not been filed and it appeared that 425 West Wisconsin Avenue, Inc. was a subsidiary of First Wisconsin Trust Company (and, indirectly, of Wisconsin Bankshares Corporation), the Board, in its telegram of June 8, 1942, authorizing the issuance of a voting permit to Wisconsin Bankshares Corporation, prescribed a condition relating to the filing of the agreement. Apparently a request by the Wisconsin Bankshares Corporation that First

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"Wisconsin Trust Company furnish the agreement prompted Mr. Barth's letter to you in which he expresses reluctance to execute it unless it is required by law.

"As you know, the form of application to be filed by a holding company affiliate desiring a voting permit was prescribed by the Board pursuant to the authority, and in discharge of the responsibilities, vested in it by section 5144 of the Revised Statutes of the United States. As a part of such an application, the holding company affiliate is required to file agreements on Form P-3 executed by all organizations (other than member banks) with which the applicant or any of its subsidiaries is affiliated (see Board's Regulation P and printed forms referred to therein). In the case of applications for supplemental voting permits, this requirement ordinarily is waived in so far as it relates to organizations whose agreements have been filed in connection with previous applications; but this is immaterial in this instance because 425 West Wisconsin Avenue, Inc. was organized subsequent to the issuance of the voting permit now held by Wisconsin Bankshares Corporation.

"It is understood that 425 West Wisconsin Avenue, Inc., was organized in 1937 to hold title to and operate real estate at the address contained in its corporate title. Mr. Barth's letter confirms our information that a majority of the corporation's outstanding voting shares are held by First Wisconsin Trust Company in various fiduciary capacities and states that First Wisconsin Trust Company is 'administering the corporation 425 West Wisconsin Avenue, Inc. on behalf of the stock so held by it in trusts as well as on behalf of a substantial minority of the stock held outside.' Wisconsin Bankshares Corporation owns substantially all of the stock of First Wisconsin Trust Company and, it is understood, a relatively small minority of the stock of 425 West Wisconsin Avenue, Inc.

"On this basis, Wisconsin Bankshares Corporation and First Wisconsin Trust Company clearly are affiliated with 425 West Wisconsin Avenue, Inc., within the meaning of the term 'affiliated' as defined in Regulation P. Accordingly, compliance with the requirements with respect to voting permit applications calls for the filing of the agreement on Form P-3 executed by 425 West Wisconsin Avenue, Inc.; and the Board does not feel that it should make an exception to such uniform requirements in this case. The responsibility for obtaining and filing the agreement, of course, rests with Wisconsin Bankshares Corporation, the holding company affiliate, and it is suggested that you discuss this matter with its representatives in the light of this letter.

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"The time within which the voting permit could be issued to Wisconsin Bankshares Corporation under the authorization contained in the Board's telegram of June 8, 1942, has expired. Consideration of the question whether such authorization should be renewed is being deferred pending receipt of advice as to whether the conditions then prescribed will be met."

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Your letter of September 15 raises a question under Regulation W which has recently been considered by the Board in connection with credit cards issued by gasoline companies and others. The question relates to the status of a charge account where the buyer has given the seller a note for the amount due and the seller has transferred the note to another Registrant.

"The previous inquiries arose out of a regular course of dealing based on contracts between the various independent dealers and the issuer of the credit cards under which the issuer agrees to purchase all accounts receivable arising out of sales made by the dealers to the holders of the credit cards. The accounts are purchased without recourse (except in the case of fraud, etc.) and in the normal course of events the dealer receives his money immediately and hears nothing further regarding the account.

"The Board took the position that the dealer was the seller, and that consequently he was the 'Registrant' within the meaning of section 5(b). Consequently, if a customer did not pay his bill for articles purchased through a dealer, he could nevertheless purchase listed articles with his credit card from another dealer, and furthermore the issuer of the credit card would not be prevented by the Regulation from purchasing the account arising from the latter sale.

"On the other hand, if the dealer contemplated making further sales of listed articles on credit to the holder of the credit card, he would not be safe in so doing unless he found out from the issuer of the card whether the holder was in default on account of previous purchases from him.

"In these cases there was no promissory note, but the results would be the same if there were a promissory note, in view of the definitions of 'charge sale' and 'charge account' in sections 2(f) and 2(g). Consequently, if the note

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"were not paid (whether because it had been renewed or for any other reason) within the time prescribed in section 5(c), the account would be in default, unless the note had been renewed under such conditions as to constitute a 'cure' under section 5(d).

"With respect to your second question, the seller could take a renewal note without limitation as to maturity, since he would in effect be merely extending the time of payment of the account. The account would remain in default pending payment. On the other hand, if the bank accepted a renewal note payable to itself, it would in effect be making a loan the proceeds of which it knew would be used to retire a re-charge account, and the renewal would be subject to the restrictions applicable to such loans."

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

Letter to Honorable Daniel W. Bell, Under Secretary of the Treasury, reading as follows:

"This refers to your letter of October 12, 1942, enclosing a copy of a proposed Treasury order setting forth a procedure for destruction of currency in Puerto Rico. You are advised that the proposed procedure, in so far as it affects Federal Reserve notes and Federal Reserve Bank notes, meets with the approval of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. E. P. Tucker, Vice President of the Merchants National Bank, Port Arthur, Texas, reading as follows:

"This refers to your letter of September 22, 1942, to Hon. Henry Morgenthau, Jr., Secretary of the Treasury, with respect to the protection afforded United States Government securities held in custody for your Bank by the Federal Reserve Bank of Dallas, a copy of which was referred to the Board by Mr. D. W. Bell, Under Secretary of the Treasury.

"Since your bank is located in the Eleventh Federal Reserve District we are forwarding a copy of your letter

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"to Mr. R. R. Gilbert, President of the Federal Reserve Bank of Dallas, with the request that he write you with respect to the protection afforded by the Bank to securities held in custody for member banks.

"While our records do not indicate the types of insurance carried by your bank, it is our understanding that some banks have blanket bonds which provide for insurance of securities held in their own vaults and in the vaults of their correspondents. It is also understood that certain insurance companies have agreed to write policies for member banks insuring them against loss on securities held in custody for their account by a Federal Reserve Bank."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. C. Miller

Chairman.