

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 26, 1942, at 11:30 a.m.

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

Mr. Morrill, 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 21, 1942, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on October 22, 23, and 24, 1942, were approved and the actions recorded therein were ratified unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Hays and Stewart, Secretaries of the Federal Reserve Banks of Cleveland and St. Louis, respectively, and Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board of Governors approves for those Banks, effective October 27, 1942, the rates established by the respective boards of directors 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, and of 2 per cent on advances to

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individuals, partnerships, or corporations other than banks under the last paragraph of section 13. The telegrams to Messrs. Paddock and Caldwell further stated that the Board approves for the Boston and Kansas City Banks, also effective October 27, a rate of 1-1/2 per cent on advances to member banks under section 10(b) of the Federal Reserve Act. The establishment without change of the other rates of discount and purchase in the respective Banks' existing schedules was also approved.

Approved unanimously.

Telegram to Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, stating that the Board approves the establishment without change by the Chicago Reserve Bank on October 22, 1942, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

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

"In accordance with the request contained in your letter of October 16, 1942, the Board approves the appointment of Carl F. W. Hespenheide as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise us of the date upon which the appointment becomes effective.

"It has been noted that the aggregate indebtedness of Mr. Hespenheide is obviously out of proportion to his stated income, and a substantial portion of the indebtedness is due a national bank. Therefore, unless there were immediate prospects of liquidating a substantial portion of the indebtedness there would be a question as to whether, in the light of the Board's policy as expressed in its letter X-7638 (F.R.L.S. #9180), the appointment should be approved. It is understood, however, that the applicant's property in York, Pennsylvania, has been offered for sale, that there are good prospects that the sale will be consummated within the near future, and that upon its consummation all of his

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"indebtedness to the national bank except \$500 will be paid. Accordingly, the Board's approval of his appointment is given with the understanding that the proposed sale of the property and reduction in indebtedness will be effected as soon as possible. It is assumed, of course, that some definite plan for liquidating the remaining \$500 with the national bank will be worked out."

Approved unanimously.

Letter to the board of directors of "The Citizens State Bank of Petersburg", Petersburg, 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 St. Louis.

The letter also contained the following special comment:

"The Board is prescribing the conditions of membership ordinarily prescribed for banks exercising fiduciary powers when they are admitted to membership and it will not object, under condition of membership numbered 1, to your bank resuming the exercise of such powers, as is now contemplated. It is understood, of course, that when such business is undertaken the bank will have qualified personnel and be otherwise equipped to handle it in a proper manner."

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 Citizens State Bank of Petersburg', Petersburg, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana for his information.

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"It is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank. Therefore, 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."

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of October 14, and to the request of the South Side Bank of Jacksonville, Florida, a non-member bank, that it be authorized to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date upon which the bank is converted into and commences business as a national bank under the name 'American National Bank of Jacksonville'.

"It is noted from your letter that the subject bank is located in an outlying section of Jacksonville approximately two miles from the main business section of the city; that the section is almost exclusively a residential community with the usual quota of supporting retail establishments; that the Comptroller of the Currency has recognized the community as an outlying district, having approved the bank's application to convert with a capital of \$100,000, instead of \$200,000 as is ordinarily required of national banks in cities of the size of Jacksonville; that the bank has no interbank deposits and engages in the type of business usually conducted by banks located in and serving primarily outlying communities; and that the Executive Committee of your Bank recommends that the subject bank's request be granted.

"In the above circumstances and pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board grants permission to the 'American National Bank of Jacksonville' to maintain the same reserves against deposits as are required to be maintained by member banks located outside of central reserve and reserve cities, effective as of the date that the South Side Bank of Jacksonville is converted into the 'American National Bank of Jacksonville' and is authorized by the Comptroller of the Currency to commence business as a national bank."

Approved unanimously.

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Letter to the "Temple National Bank", Temple, Texas, 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 Texas, 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.

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

"This is in reply to your letter of October 22 in which you enclosed a copy of a letter from the Cumberland Electric Company with reference to section 4(e) of Regulation W.

"It appears that the company understands correctly that a deposit equal to one-third of the cash price of a radio must be obtained at or before the time when the instrument is delivered to a customer in anticipation of an instalment sale, and there are no provisions in the regulation which would except the company from this provision.

"The company indicates that section 4 (e) will handicap its business because of special difficulties which it has in making demonstrations at its salesroom. We regret, naturally, if section 4(e) places a greater burden on this company than on some other seller. In view of the present situation with respect to the supply of radios, however, it seems to us most unlikely that the requirement of a deposit on demonstrators will prevent the company from selling such supply as it has available."

Approved unanimously.

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

"Replying your letter October 17 concerning the application of new section 4(e) of Regulation W to the delivery of two or three musical instruments of which one is to be selected, the answer is that the customer expects to buy only one instrument, and therefore only one instrument is delivered 'in anticipation' of a sale. Therefore, the customer is required to deposit only an amount equal to the down payment which would be required on the most expensive of the instruments delivered."

Approved unanimously.

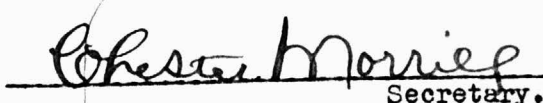
Memorandum dated October 23, 1942, from Mr. Bethea, Assistant Secretary, recommending (1) that the Board amend its action of February 23, 1933, when it authorized the reimbursement of transportation and subsistence expenses to Federal Reserve Bank employees assigned to assist the Board's examiners in the conduct of examinations of the Federal Reserve Banks on the same basis as the Board's examiners, so as to approve an increase in the per diem allowance in lieu of subsistence from \$5.00 to \$6.00 per day for such Bank employees, retroactive to March 1, 1942, and (2) that the payment of the sum of \$16.80, representing excess charges for the use of a special all-pullman train by 16 employees loaned by the Boston Reserve Bank to assist in the current examination of the New York Reserve Bank, be approved.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.