

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 30, 1942, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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 October 29, 1942, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Mr. McCreedy, Secretary of the Federal Reserve Bank of Philadelphia, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on October 27, by the Federal Reserve Bank of Atlanta on October 28, by the Federal Reserve Banks of Philadelphia, Chicago, and Dallas on October 29, 1942, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Sproul, President of the Federal Reserve Bank of New York, stating that the Board of Governors approves for that Bank,

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effective today, the rates established by its board 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, of 2-1/2 per cent on advances to individuals, partnerships, or corporations other than banks under the last paragraph of section 13, and 1-1/2 per cent on advances to member banks under section 10(b) of the Federal Reserve Act, and the establishment without change of the other rates of discount and purchase in the Bank's existing schedule.

Approved unanimously.

Bond in the amount of \$10,000, executed under date of October 21, 1942, by Miss Anne J. Erste as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland.

Approved unanimously.

Memorandum dated October 28, 1942, from Mr. Morrill, recommending (1) that John Blash be promoted from the position of general mechanic to that of painter in the Secretary's Office on a temporary basis for an indefinite period, with an increase in his salary from \$1,680 to \$1,860 per annum, effective November 1, 1942, and continuing only during the period he serves as painter, and (2) that John W. Boothe be transferred from the position of guard to that of general mechanic in the Secretary's Office on a temporary basis for an indefinite period, with an increase in his salary from \$1,500 to \$1,680 per annum, effective November 1, 1942, and

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continuing only during the period he serves as general mechanic.

Approved unanimously.

Memorandum dated October 28, 1942, from Mr. Morrill, submitting the resignation of Dean E. Brundage as a page in the Secretary's Office, to become effective as of the close of business on October 31, 1942, and recommending that the resignation be accepted as of that date and that the Board waive reimbursement for the unearned sick and annual leave taken by Mr. Brundage.

The resignation was accepted and reimbursement for unearned leave waived.

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

"There is enclosed a photostat of a letter dated October 27, 1942, which the Board has received from the United States Maritime Commission addressed to all Federal Reserve Banks, regarding the insertion of certain special conditions in guarantee agreements executed pursuant to Executive Order No. 9112. We have in our records the special conditions enclosed with the above-mentioned letter from the Maritime Commission duly authenticated by Mr. W. C. Peet, Jr., Secretary, United States Maritime Commission; and a mimeographed copy of these special conditions is enclosed herewith. It will be observed that the special conditions enclosed with the Maritime Commission's letter are identical with those which were enclosed with letters addressed to all Federal Reserve Banks under date of October 9, 1942, by the War Department and the Navy Department.

"Your attention is called to the fact that, while the Maritime Commission's letter is substantially the same as the letters addressed by the War and Navy Departments to the Federal Reserve Banks on October 9, 1942, the last paragraph of the Maritime Commission's letter authorizes the Federal Reserve Banks to execute supplemental agreements containing the special conditions without further submission of the matter to the Maritime Commission for approval, 'provided that the inclusion of such conditions in no way alters the original intent of any executed guarantee agreements.' We have had informal discussions with a representative of the Maritime Commission as to the meaning of this limitation;

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"and we have been advised that the language above quoted is intended to have no application except with respect to a particular case in the Ninth Federal Reserve District and may therefore be disregarded by all Federal Reserve Banks except by the Federal Reserve Bank of Minneapolis in connection with that particular case.

"We are furnishing a copy of this letter to the Maritime Commission."

Approved unanimously, together with
a letter to the United States Maritime
Commission reading as follows:

"This is to acknowledge receipt of your letter of October 27, 1942, enclosing certain special conditions for insertion in guarantee agreements executed pursuant to Executive Order No. 9112.

"It has been noted that in the last paragraph of your letter the Federal Reserve Banks are authorized to execute supplemental agreements containing these special conditions without further submission of the matter to the Maritime Commission for approval, 'provided that the inclusion of such conditions in no way alters the original intent of any executed guarantee agreements.' On the basis of informal discussions which we have had with Mr. B. B. Griffith, Assistant to the Director of Finance, it is our understanding that the limitation contained in the quoted proviso is not intended to have any application except in connection with a guarantee agreement executed by the Federal Reserve Bank of Minneapolis on behalf of your Commission with respect to a loan made by the First and American National Bank, the Northern National Bank, and the City National Bank, all of Duluth, Minnesota, to the Barnes-Duluth Shipbuilding Corporation.

"There is enclosed for your information a copy of a letter which the Board is today addressing to the Presidents of all Federal Reserve Banks enclosing a photostat of your letter and a copy of the special conditions; and you will note that the Board's letter includes advice to the Federal Reserve Banks with respect to the application of the language above quoted. There is also enclosed a copy of a letter which we are today addressing to the President of the Federal Reserve Bank of Minneapolis with respect to this matter."

In connection with the above matter,
unanimous approval was also given to the
following letter to Mr. Peyton, President
of the Federal Reserve Bank of Minneapolis:

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"This refers to the Board's letter of this date addressed to the Presidents of all Federal Reserve Banks enclosing a photostat of a letter dated October 27, 1942, from the United States Maritime Commission to all Federal Reserve Banks regarding the insertion of certain special conditions in guarantee agreements executed pursuant to Executive Order No. 9112.

"In the last paragraph of the Maritime Commission's letter, the Federal Reserve Banks are authorized to execute supplemental agreements containing the special conditions without further submission of the matter to the Maritime Commission for approval, 'provided that the inclusion of such conditions in no way alters the original intent of any executed guarantee agreements.' After informal discussions with a representative of the Maritime Commission, we have been advised that the limitation contained in this proviso is intended to apply only in the case of the guarantee agreement executed by your bank on behalf of the Maritime Commission with respect to a loan made by the First and American National Bank, the Northern National Bank, and the City National Bank, all of Duluth, Minnesota, to the Barnes-Duluth Shipbuilding Corporation; and that in all other cases the language above quoted has no application and should be disregarded.

"We are furnishing a copy of this letter to the Maritime Commission."

Letter to Mr. Jesse Burkhead, Executive Office of the President, Bureau of the Budget, reading as follows:

"Referring to your letters of August 1 and August 7 to Dr. Goldenweiser and our subsequent discussions regarding the procedure of the Board in some of its activities, among which is Regulation W, I am sending you herewith a description of the development of this regulation and its administration. It is understood that this material is for use in your work on the project of the Bureau of the Budget for compiling the history of administrative developments in the war program."

Approved unanimously.

Letter to Mr. C. B. Upham, Deputy Comptroller of the Currency, reading as follows:

"Chairman Eccles has brought to the attention of the Board of Governors your letter of October 19 in response to the letter from Chairman Eccles to Mr. Delano, dated October 17, in regard to the uniform bank examination procedure adopted in 1938.

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"As stated in the letter of October 17 to Mr. Delano, the Board has understood that no important feature of the uniform procedure would be changed by any of the Federal supervisory agencies without consultation with the other agencies participating in the conferences. The Board, from the information before it, is not persuaded that any change should be made. However, if you believe that the importance of the question justifies such action, the Board is agreeable to the consideration of the question raised in this correspondence at a conference to be held at such time as may be agreed upon by the Federal Deposit Insurance Corporation, the Comptroller of the Currency and the Board of Governors for the purpose of reviewing the experience which has been had under the uniform agreement and the merits of the change which you have suggested. A copy of this letter is being sent to Chairman Crowley, of the Federal Deposit Insurance Corporation."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. Crowley
Chairman.