

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 5, 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 November 4, 1942, were approved unanimously.

Memorandum dated November 2, 1942, from Mr. Paulger, Chief of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, Thomas N. Leef be appointed as an Assistant Federal Reserve Examiner on a temporary basis, with salary at the rate of \$2,500 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Mr. Thomas N. Leef was appointed on a temporary basis as an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System,

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and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with salary at the rate of \$2,500 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Memorandum dated November 2, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Ben S. Lichtash as an economic assistant in that Division, to become effective as of the close of business on October 29, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated November 2, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Miss Helen Jean Kallio as a clerk-stenographer in that Division, to become effective as of the close of business on November 6, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Telegram to Mr. Creighton, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Retel November 3. Board approves appointment of Raymond J. Dunphy as Alternate Assistant Federal Reserve Agent at your Bank at his present salary of \$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 the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties as Alternate Assistant Federal Reserve Agent. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or during a vacancy in the office of the Agent, of the Assistant

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"Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent. Dunphy should execute usual oath of office and surety bond in amount of \$10,000 and he should not enter upon performance of duties as Alternate Assistant Federal Reserve Agent 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 Dunphy assumes his duties."

Approved unanimously.

Telegram to Mr. Holman Cartwright, Twin Oaks Ranch, Dinero, Texas, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the San Antonio Branch for the unexpired portion of term ending December 31, 1943, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. James A. Treanor, Jr., Director of the Trading and Exchange Division of the Securities and Exchange Commission, Philadelphia, Pennsylvania, reading as follows:

"In response to your letter of October 30, you are advised that on June 30, 1942, J. P. Morgan & Co. Incorporated, New York City, a member bank of the Federal Reserve System, reported its holdings of United States Treasury bills as \$42,171,876 (book value). The Board does not have such data available for any earlier call dates because the subject bank did not become a member of the Federal Reserve System until April 27, 1942.

"This information is furnished for the confidential use of the Commission in connection with its estimates of savings in the United States, with the understanding that neither the figure nor the fact that it has been made available by the Board will be revealed by the Commission."

Approved unanimously.

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

"Re Clark Stores and telephone conversations of yesterday. Board insists on full week's closing as minimum (penalty for violation of Regulation W)."

Approved unanimously.

Letter to Mr. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of your letter of October 30 enclosing copy of a letter from E. G. Hampton, Supervisor of the Credit Union Division of the Wisconsin State Banking Department, together with an article entitled 'A Cushion of Cash -- How to Get it' referred to therein.

"The article presents the question whether section 8(b) of Regulation W exempts a loan made by a credit union, secured by its shares, to enable the borrower to purchase such shares, if there is an understanding that the borrower will be permitted to withdraw any portion of the share account, without making an equivalent payment on the loan, if the credit union should feel that such action was warranted by the circumstances, as, for example, where the loan was otherwise adequately secured.

"The Board agrees with you that an arrangement of the type described would be a violation of the Regulation. In view of the dual purpose of the loan it could not properly be considered as a loan 'for the purpose of purchasing' the shares within the meaning of section 8(b), and if it was originally made for the purpose of purchasing such shares but with an understanding that it might later be used for other purposes, the arrangement would violate section 11(a)."

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

Letter to Mr. R. H. Shaw, President of The Peoples State Bank, Cherryvale, Kansas, reading as follows:

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"Reference is made to your letter of October 22, 1942, addressed to the Secretary of the Treasury, proposing that Federal Reserve Banks hold United States Government bonds 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 non-member banks to the same extent as to member 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. Moreover, the vaults of the Federal Reserve Banks are not adequate to hold in safekeeping all Government securities owned by member banks. As you know, the Board of Governors in order to encourage the purchase of Government short-term securities, has authorized the Federal Reserve Banks to hold in safekeeping Treasury bills and certificates of indebtedness for nonmember banks. The Board would not, however, favor further extending the safekeeping service to nonmember banks."

Approved unanimously.

Thereupon the meeting adjourned.

Coester Mowbray
Secretary.

Approved:

W. H. C. [Signature]
Chairman.