

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

PRESENT: 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 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 28, 1942, were approved unanimously.

Memorandum dated November 20, 1942, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the following increases in salaries of employees in that Division be approved, effective as of December 1, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Daniels, Mortimer B.	Technical Assistant	\$5,000	\$5,200
Conkling, Gerald M.	Technical Assistant	4,800	5,100
Farrell, John R.	Associate Technical Assistant	3,200	3,500
Mitchell, Willis H.	Supervisor, Call Report Section	3,300	3,400
Scudder, Dilver	Supervisor, Reserve Bank Section	3,200	3,400
Walker, F. A.	Senior Clerk	2,800	2,900
Stone, Harry B.	Senior Clerk	2,800	2,900
Sherfy, R. E.	Senior Clerk	2,500	2,600
Buchanan, Avelyn	Secretary	2,000	2,100

11/30/42

-2-

<u>Name:</u> (Cont'd.)	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Bryan, Evelyn	Clerk	\$1,860	\$1,980
Wright, Zelpha M.	Clerk	1,800	1,860
Callahan, Frank J.	Clerk-Typist	1,800	1,920
Millican, Thelma C.	Clerk	1,740	1,800
Chadik, Mary Ann	Clerk	1,620	1,680
Shaffer, Charlotte M.	Clerk	1,620	1,680
Skinner, Carl M.	Under Clerk	1,500	1,620

Approved unanimously.

Memorandum dated November 17, 1942, from Mr. Dreibelbis, General Attorney, recommending that the salary of Howard H. Hackley, Assistant Attorney, be increased from \$4,800 to \$5,300 per annum, effective December 1, 1942.

Approved unanimously.

Memoranda dated November 23, 1942, from Mr. Dreibelbis, General Attorney, recommending that the salaries of S. Everett Entriken, a law clerk, and Miss Margaret Muehlhaus, a stenographer, in the Legal Division, be increased from \$2,400 and \$1,800 to \$2,600 and \$1,920 per annum, respectively, effective December 1, 1942.

Approved unanimously.

Memorandum dated November 28, 1942, from Mr. Morrill, recommending that Gordon Grimwood, a stenographer in the Secretary's Office, be granted leave of absence without pay beginning November 27, 1942, so that he might enter active duty with the United States Army, 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 except his restoration to membership in the Federal Reserve

11/30/42

-3-

retirement system upon his reemployment since he is a member of the Civil Service retirement system.

Approved unanimously.

Memorandum dated November 30, 1942, from Mr. Morrill, submitting the resignation of Mrs. Rose S. Freeman as a clerk in the Secretary's Office, to become effective as of the close of business on November 27, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"As requested in your letter of November 21, 1942, the Board of Governors approves the payment of salary at the rate of \$12,000 per annum to Mr. Raymond W. Hall, Vice President and General Counsel, effective January 1, 1943, for the period ending May 31, 1943."

Approved unanimously.

Letter to the board of directors of "The Whitehouse State Savings Bank", Whitehouse, Ohio, stating that, subject to conditions of membership numbered 1 to 3 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 Cleveland:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,043.72 as shown in the report of examination of such bank as of October 24, 1942, made by an examiner for the Federal Reserve Bank of Cleveland."

Approved unanimously, for transmission through the Federal Reserve Bank of Cleveland.

-4-

11/30/42

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

"Reference is made to your letter of November 19, 1942, submitting the request of the Warren Bank and Trust Company, Warren, Pennsylvania, for approval of its plan to purchase acceptable assets and assume the deposit liabilities of the Clarendon State Bank, Clarendon, Pennsylvania.

"On the basis of the information submitted it does not appear that the proposed transaction will cause any change in the general character of the business of the Warren Bank and Trust Company or in the scope of the corporate powers exercised by it, within the meaning of the condition of membership to which it is subject. In view of your recommendation, therefore, the Board will interpose no objection to the completion of the transaction as proposed, provided it is consummated substantially in accordance with the plan as submitted, prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank is to be satisfied as to the legal aspects involved."

Approved unanimously.

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

"Enclosed herewith is a copy of a letter written by the Treasury Department to a State member bank with respect to the establishment of a banking facility at a military reservation by the member bank under its designation by the Treasury as a Depository and Financial Agent of the Government.

"It is understood that the letter to the State member bank in this case is typical of letters written to banks establishing these facilities but that in some cases there may be other points covered.

"The Board's Division of Examinations will keep the Federal Reserve Banks currently informed as to the establishment of these facilities by State member banks in their respective districts and will pass on any information received from the Treasury Department with respect to special points covered in the agreements between the State member bank and the Treasury Department."

Approved unanimously.

11/30/42

-5-

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

"This refers to your letter of November 19 and previous correspondence regarding the application of section 4(c)(1) of Regulation W to a case where the obligation of a customer is sold by the Registrant, Libby Furniture & Linoleum Co., and an additional obligation is thereafter entered into by the same customer with the Registrant.

"You enclosed a copy of the form used, which is entitled 'Conditional Sale Agreement', and which has two additional parts which can be torn off at perforations, one being a 'Wage Assignment' and the other being a negotiable promissory note. You state that you have now been advised that the executed originals of these documents are delivered to the Mercantile Discount Corporation and copies are given to the customer, so that the Registrant does not have any copy. The finance company supplies the Registrant with a 'record sheet' covering each obligation, which the Registrant uses as a guide in servicing the accounts.

"From the facts which you have gathered, it appears that the arrangement partakes of a dual character in that the Registrant and finance company have led the customer to believe that he is indebted to the Registrant, whereas they have arranged matters between themselves so that he is actually indebted to the finance company. Accordingly, if the finance company were to negotiate the note to a holder in due course, the holder could assert that the customer is indebted to him.

"However, it seems probable that the finance company does not negotiate the note, and that it constitutes the Registrant its agent to make the collections for it. In the circumstances, payment by the customer to the Registrant would probably be a payment in due course which would discharge the note, and if that is true it may properly be said that, for the purposes of section 4(c)(1), the customer, who does not know anyone in the transaction except the Registrant, continues to be obligated to the Registrant, and that therefore the obligation arising out of a second sale by the Registrant to the customer should be added to the first obligation in determining the 'aggregate installment indebtedness' under that section.

"Of course the comment made in the last paragraph of our letter of November 12 is equally applicable under these facts."

Approved unanimously.

11/30/42

-6-

Letter to Mr. Louis J. Kroeger, Executive Officer of the Rationing Department, Office of Price Administration, reading as follows:

"In reply to your letter (711:LJK), dated November 21, 1942, addressograph plates from which envelopes can be addressed to the commercial banks are available both at the Federal Reserve Banks and at the Board's offices here in Washington. We shall be glad to make these facilities available to you when desired, which we understand from your letter will not be very often.

"The question of reimbursement for the use of these facilities will be taken up with you after we have had sufficient experience to determine an appropriate basis therefor."

Approved unanimously.

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

"Reference is made to your letter of November 21, 1942, regarding a form of exemption certificate in connection with the transportation tax imposed by section 620 of the Revenue Act of 1942.

"We have taken this matter up informally with a representative of the Bureau of Internal Revenue and it was agreed that the Federal Reserve Bank is exempt from the tax imposed upon the transportation of property by section 620 of the Revenue Act of 1942 by virtue of the provision contained in such section exempting 'any agency or instrumentality of the United States' and also by virtue of section 7 of the Federal Reserve Act since the tax is imposed upon the person paying for the transportation. The Bureau of Internal Revenue, however, does not have available a form of tax exemption certificate for this purpose. In the circumstances, it is suggested that your bank file a letter or statement with Brink's Inc., setting forth the tax exemption of the Federal Reserve Bank of Minneapolis, which letter or statement would seem to be all that is necessary in the matter."

Approved unanimously.

Memorandum dated November 23, 1942, from Mr. Smead, Chief of the Division of Bank Operations, referring to the action taken at the meeting of the Board on October 23, 1942, with respect to a proposed revision of

-7-

11/30/42

the form of report of earnings and dividends of State member banks and to the consideration which had been given to the proposed revision since that date. The memorandum recommended that the Board approve the revised form of report attached to the memorandum for the use of State member banks in submitting reports covering the calendar year 1942.

Approved unanimously.

Thereupon the meeting adjourned.

Roberta Morie
Secretary.

Approved:

Ronald Hanson
Vice Chairman.