A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 29, 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 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 December 28, 1942, were approved unanimously.

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

"Referring to your letter of December 17, 1942, the Board of Governors approves the appointment of Mr. Clifford F. Hood, President of the American Steel and Wire Company, Cleveland, Ohio, as a member of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for the remainder of the term ending February 28, 1943, to succeed Mr. E. C. Folsom, who recently resigned."

Approved unanimously.

Telegram to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:
"Board of Governors approves payment of bills submitted with your letter of December 19, 1942, from Squire, Sanders & Dempsey in the amount of $8,000 covering their services for the items and periods specified in your letter."

Approved unanimously.

Telegram to Mr. C. E. Myers, Covina, California, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for two year term ending December 31, 1944, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. McRae, Chief Examiner of the Federal Reserve Bank of Boston, reading as follows:

"This in reply to your letter of December 17 regarding the status of Railway and Light Securities Company under the provisions of section 32 of the Banking Act of 1933.

"It appears from your letter and from the letter which the President of the Company wrote to you under date of December 9 that the company is a closed-end investment company as defined in the Investment Company Act of 1940, and that the only securities which it has issued or offered in recent years were on the two occasions when it refinanced its outstanding bonds by means of new issues, the first occasion being in 1935 and the second in 1940.

"The Board's letter of September 22, 1942 (S-566), to which you refer, dealt with open-end investment companies which are continually issuing their securities for sale, but the letter concluded with the statement that if a company has ceased to issue any of its stock for sale it would not be subject to section 32."
"Similarly, although it is not possible to lay down any universal rule with respect to closed-end investment companies, it is apparent that Railway and Light Securities Company has done no more in this respect than would be usual for a mercantile or manufacturing company, for example, which occasionally found it necessary to make readjustments in its financial structure. As you know, such occasional readjustments would not make such a company subject to section 32, and consequently there would seem to be no reason why your Bank should make any special investigation to determine that Railway and Light Securities Company or any other closed-end company is not subject to section 32.

"Of course, any investment company may be subject to section 32 if it is actively engaged in selling its own shares; for example, during a promotional stage when shares are made available to the public, either at the time of the organization of the company or at some later time when further shares are offered."

Approved unanimously.

Memorandum dated December 29, 1942, from the War Loans Committee, referring to the Board's telegram of December 22, 1942, to the Presidents of the Federal Reserve Banks with respect to changes in guarantee fees on loans guaranteed on behalf of the War Department, Navy Department, and Maritime Commission, and recommending that, subject to the receipt of letters from the services accepting the schedule, the Board approve, effective December 30, 1942, the schedule of fees set forth below which had been tentatively agreed upon at a meeting today of the War Loans Committee with representatives of the services. The memorandum stated that, in connection with guarantees heretofore authorized but not yet executed, it was proposed to give the financing institution the option of accepting either the guarantee fee specified in the authorization or the new guarantee fee:
Guarantee fee
(per cent of loan rate on portion of loan guaranteed)

<table>
<thead>
<tr>
<th>Percentage of Guarantee</th>
<th>Guarantee fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% or less</td>
<td>10</td>
</tr>
<tr>
<td>65%</td>
<td>12-1/2</td>
</tr>
<tr>
<td>70%</td>
<td>15</td>
</tr>
<tr>
<td>75%</td>
<td>17-1/2</td>
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<tr>
<td>80%</td>
<td>20</td>
</tr>
<tr>
<td>85%</td>
<td>22-1/2</td>
</tr>
<tr>
<td>90% (for loans of $150,000 or less)</td>
<td>25</td>
</tr>
<tr>
<td>90% (for loans over $150,000)</td>
<td>25-30</td>
</tr>
<tr>
<td>Over 90%</td>
<td>30-50</td>
</tr>
</tbody>
</table>

No minimum guarantee fee specifically provided.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

Vice Chairman.