

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 14, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
 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 January 13, 1943, were approved unanimously.

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

"In accordance with the request contained in your letter of January 9, 1943, the Board approves the appointment, effective January 1, 1943, of Ralph A. McIninch, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

Letter to the board of directors of "The State Bank of Seneca Falls, N. Y.", Seneca Falls, New York, 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

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appropriate amount of stock in the Federal Reserve Bank of New York:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$876 as shown in the report of examination of such bank as of November 10, 1942, made by an examiner for the Federal Reserve Bank of New York."

Approved unanimously, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The State Bank of Seneca Falls, N. Y.', Seneca Falls, New York, 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 Superintendent of Banks for the State of New York for his information.

"In view of the record of the past few years and the anticipated changes in management, also in line with the comments of the supervising examiner for the Federal Deposit Insurance Corporation, it is assumed, of course, that the dividend policy of the bank will receive continuing close attention and it would appear that further retirement of capital debentures should await demonstration of the ability of the new management and evidence of a policy of conservation of earnings."

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

"This refers to your letter of December 30, 1942, and its enclosure, regarding the question whether a conditional sales contract covering an automobile may be revised under section 10(a)(1) without regard to the other provisions of Regulation W if the person who purchased the automobile and made the payments under the contract has subsequently become a member of the armed forces, even though the contract was not signed by that person but, instead, was signed by his father because that person was under age.

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"Section 10(a)(1) was put into the Regulation in conformity with the policy of the Government which is evidenced in the Soldiers' and Sailors' Civil Relief Act of 1940, and the Regulation will generally be interpreted accordingly.

"Section 103 of that Act, as amended, provides that whenever pursuant to the provisions of the Act the enforcement of any obligation may be suspended, such suspension may, in the discretion of the court, likewise be granted to 'accommodation makers, and others, whether primarily or secondarily' liable. This provision is not directly relevant, but it throws light on the meaning of section 301, which provides that no person who has received a deposit or instalment of the purchase price, under a contract for the purchase of personal property, from a person 'who, after the date of payment of such deposit or instalment, has entered military service, shall exercise any right or option under such contract to rescind or terminate the contract or resume possession of the property for nonpayment of any instalment'.

"Using the language of section 103, the father in this case is the accommodation maker, and the son is the accommodated party. The accommodated party need not be a party to the instrument. General Motors Acceptance Corporation has received 'a deposit or instalment of the purchase price * * * from a person * * * who, after the date of payment of such deposit or instalment, has entered military service' (section 301) and since section 10(a)(1) of Regulation W is the result of the same policy which produced this statute, the Regulation is interpreted as not preventing the revision of the contract on any terms which the Registrant may deem necessary.

"Needless to say, this interpretation applies only where the son actually purchased the automobile and made the payments, but it is assumed that the Corporation can be certain that these are actually the facts."

Approved unanimously.

Letter to the Consumers Cooperative Association, North Kansas City, Missouri, reading as follows:

"This is in reply to your letter of December 17, 1942, asking about the attitude of the Board toward a proposal concerning the elimination of credit on retail sales of petroleum products.

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"There apparently has been some misunderstanding on this subject as the Board has at no time made objection to the issuance of a directive by the Petroleum Administrator for War prohibiting the granting of credit in connection with the sale of petroleum products at retail motor fuel establishments."

Approved unanimously.

Letter to Mr. Sawyer, Manager of Foreign Funds Control, Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of December 24, 1942, enclosing a copy of a letter dated December 22, addressed to the Chairman of your Bank by Mr. M. F. Roesti of the National Shawmut Bank of Boston, and asking for certain information concerning United States assets frozen in the Sterling Area countries. I note further that Mr. Roesti has entered into correspondence with the State Department on the question of whether this Government should sponsor the case of American firms which desire to withdraw blocked balances from the Sterling Area.

"We do not have any very reliable data as to the amount of American short-term claims on Sterling Area countries payable in the local currencies. It is reasonably clear, however, that the claims on the United Kingdom by the American film companies which were discharged on November 4, 1942 by the payment of 42.6 million dollars to the companies concerned constituted a very large proportion of our short-term claims on the Sterling Area, and probably the bulk of our blocked short-term sterling claims.

"With regard to the question of Government policy involved, Mr. Roesti has placed the matter in the proper hands by writing to the State Department, and I do not feel it would be appropriate to express an opinion on the subject."

Approved unanimously.

Letter to Mr. McCabe, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"This is in reply to your letter of December 4, 1942, that sub-division (1) of the procedure with respect to annual reports of personal indebtedness, etc., approved by

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"the recent conference of chairmen should be changed to read as follows:

- '(1) Each individual report should be submitted sealed to the President or First Vice President and then to the Chairman of the board of directors.'

The Board sees no objection to your directors handling the matter in this manner since it follows a procedure in effect for several years.

"The views of your board of directors with respect to the regional program for economic studies and planning are also noted with interest and appear to be in accord with the views of the Board of Governors."

Approved unanimously.

Memorandum dated January 9, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, referring to (1) a memorandum dated December 28, 1942, from Mr. Shay, Assistant Attorney, with respect to the application to the Federal Reserve System of the Federal Reports Act of 1943 and (2) a memorandum prepared under date of January 11, 1943, by Mr. Bergelin, Chief of the Regional Research Section of the Division of Research and Statistics, setting forth reasons which might be advanced for and against the use of the Budget Bureau approval numbers on Federal Reserve Bank forms, and recommending, inasmuch as the question of the use of Budget Bureau approval numbers on Federal Reserve Bank forms was on the agenda for the next meeting of the Presidents with the Board and prior to that meeting would be considered by the Presidents' Conference Committee on Research and Statistics, that copies of the memoranda be furnished the Chairman, President,

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and research department head of each of the Federal Reserve Banks for their information.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. C. C. [Signature]
Chairman.