

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 18, 1943, at 2:00 p.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 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 February 17, 1943, were approved unanimously.

Memorandum dated today from Mr. Morrill, recommending that Miss Pauline Warmke be appointed as a kitchen helper in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with salary at the rate of \$1,080 per annum, effective February 18, 1943.

Approved unanimously.

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

"In accordance with the request contained in your letter of February 10, 1943, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Cleveland:

Main Office

A. W. Wadsworth
 C. Goudreau
 A. Schmitz
 A. Winter

Cincinnati Branch

O. Flaig
 C. M. Grayson
 L. R. Sabo
 Leroy Warning

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"Main Office (Cont'd.)

C. Volz
 W. R. Smith
 G. L. Root
 Phil Eckert
 Alan Homans
 Robt. L. Smith

Cincinnati Branch

R. O. Rauch

Pittsburgh Branch

James Henderson
 C. W. Martin
 G. M. Trowbridge
 W. C. Raubenstraw
 A. C. Adamson
 H. R. Gildersleeve

"Appropriate notations have been made in our records of the names reported as deductions."

Approved unanimously.

Telegram to Mr. W. S. Byrne, General Manager of the Omaha Metropolitan Utilities District, Omaha, Nebraska, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Omaha Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the three year term ending December 31, 1945, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Referring to your letter of February 11, 1943, the Board of Governors approves the reappointment of Messrs. Charles R. Moore, E. P. Simmons, Lawrence S. Pollock, Ira T. Moore, and Jake L. Hamon, as members of the Industrial Advisory Committee for the Eleventh Federal Reserve District to serve for terms of one year each beginning March 1, 1943."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Our staff has called to my attention the case of Max Greenbaum, a jeweler in Little Rock, Arkansas, who has failed to file a Registration Statement under Regulation W and apparently has entirely disregarded its provisions. Mr. Greenbaum's defense is that he had never heard of Regulation W or

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"credit control of any kind. As indicated in the letter from your Mr. Lewis to Mr. Dreibelbis, this of course is hard to believe.

"As you know, the Board has been proceeding on a program of enforcement of Regulation W which is to a considerable extent of an educational nature although it contemplates that in outstanding cases of willful disregard of the regulation steps will be taken to inflict appropriate penalties for violations. The steps which might be taken are of varying degrees ranging from fine or imprisonment after criminal prosecution to administrative requirements that outstanding contracts made in violation of the regulation be brought into conformity with its requirements. We have been reluctant to request the Department of Justice to institute criminal proceedings except as a last resort and after all other steps to obtain correction have been exhausted. It seems to me that in the Greenbaum case there are at least five possible approaches (some of which might be combined) which might be followed in order to bring about a correction.

"1. Advise Greenbaum that he should file a Registration Statement and that he must take all possible steps to bring any outstanding transactions into conformity with the requirements of the regulation and report to the Federal Reserve Bank within a specified period as to the progress he has made in correcting such outstanding transactions;

"2. Accept Greenbaum's Registration Statement and at the end of a specified period make another examination of his business to determine whether he was conforming with the regulation;

"3. Accept Greenbaum's Registration Statement on condition that he consent to the closing of his store for a specified period;

"4. Attempt to work out with the Department of Justice a program under which its agents would investigate Greenbaum for the purpose of impressing on him the possible criminal liabilities without necessarily following it up with prosecution;

"5. Refer the case to the Department of Justice for criminal prosecution for failure to register.

"We cannot afford to let our enforcement program fall into disrepute and any feeling to become widespread that penalties will not be inflicted in appropriate cases. On the other hand, Greenbaum's establishment is a comparatively small one and it seems to me that it would be unfortunate if it could be made to

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"appear that we were attempting to inflict heavy criminal penalties in individual cases which it could be argued are comparatively insignificant from the standpoint of the whole Regulation W program.

"I shall appreciate it if you will review this case with the interested members of your staff and let me know what you feel would be the best procedure to follow in this case in all the circumstances. We have received helpful suggestions from Messrs. Lewis and Carstarphen that indicate careful study and understanding on their part. My purpose in writing you is to get, in addition, your own reaction to the problem as you know from experience the over-all aspects that must be considered by the Board in deciding such questions."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. A. ...
Chairman.