

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 1, 1943, 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 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 March 31, 1943, were approved unanimously.

Memorandum dated March 31, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that William S. Day be appointed as a messenger in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,320 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated March 30, 1943, from Mr. Morrill, recommending that Elwood P. Watts be appointed as a laborer in the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the

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rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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

"In accordance with the request contained in your letter of March 27, 1943, the Board of Governors approves the payment of salaries to the following officers at the rates fixed by your board of directors as shown below. Such approval is for the period April 1, 1943 to May 31, 1944.

<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Head Office</u>		
W. O. Ford	Vice President	\$11,000
W. D. Gentry	Vice President and Cashier	10,000
H. R. DeMoss	Assistant Cashier	5,400
Mac C. Smyth	Assistant Cashier	5,400
<u>Houston Branch</u>		
E. B. Austin	Manager	8,000
Allen Sayles	Cashier	4,800
<u>San Antonio Branch</u>		
L. G. Pondrom	Manager	7,200"

Approved unanimously.

Letter to the board of directors of "The Peoples Bank of Leslie", Leslie, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Chicago.

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

Letter to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

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"Reference is made to your letter of March 15 and enclosures with respect to the affiliate relationship which exists between the American Investment Corporation and Commercial Security Bank, both of Ogden, Utah, and inquiring whether it will be necessary for the bank to republish its report of the affiliate as of December 31, 1942.

"In the circumstances set forth in the enclosures accompanying your letter, the Board will not insist at this time upon the publication of the report of the affiliate. If, however, the affiliation exists at the time of the next call for condition reports, the report of the affiliate should be submitted and published, unless waived by the waiver provision printed on the Form F.R. 220b. Please advise the member bank accordingly."

Approved unanimously.

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

"This refers to your letter of February 24, 1943, with respect to the case of The Shaw Rogers Company, of Akron, Ohio.

"From the reports enclosed with your letter and your analysis of these reports, it appears to us that the question before you is what should be your next step in the case. It does not appear to us, however, that your investigations and deliberations have yet reached a stage at which you are confronted with the question of whether you should institute proceedings to determine whether the company's license should be suspended. The stage at which this question will arise is indicated by the letter of August 14, 1942, which the Board's General Attorney addressed to your Counsel and the Board's letter to you of January 22, 1943, with respect to the case of the Imperial Upholstering Company.

"It seems to us that if you will apply to the instant case the principles stated in those letters, you will conclude that before attempting to decide the question of whether to institute such proceedings there should be some discussion of the apparent violations of Regulation W with the directing head of the whole Shaw Rogers chain. The purpose of such discussion would be twofold: (1) to obtain further evidence, in addition to that already obtained from the branch managers, as to whether the apparent violations have been wilful and not through inadvertence or ignorance; and (2) to determine what the directing head of the chain, once he is made aware of the possible consequences of his past conduct, would be disposed to do to avert these consequences.

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"If you should decide to follow this procedure, you might or might not find that the institution of suspension proceedings is necessary. It might turn out, as it did in the Clark case as handled by the Federal Reserve Bank of Atlanta, that the directing head of the company would see fit to propose some alternative which might prove satisfactory to you. In the Clark case, according to our understanding, the procedure of the Reserve Bank was not that of 'attempting to obtain a consent agreement' for the closing of the Clark stores. In that case, the directing head of the Clark stores, after the Bank's investigators had talked with him about the apparent violations, was requested to come to Atlanta and confer with the officers of the Federal Reserve Bank of Atlanta. At the ensuing conference he was advised fully of the apparent violations that had been discovered and of the various possible penalties to which he might be subjected in consequence of such violations. As a result of this conference, the directing head of the Clark stores made a number of proposals, one of which was that he be permitted to enter into an agreement to close his stores for an agreed period rather than be subjected to other possible penalties. The Atlanta Bank agreed to submit this proposal to the Board, did submit it, and after the proposed period had been somewhat lengthened the permission requested by Clark was granted.

"Some of the apparent violations of The Shaw Rogers Company are of a kind which, as you point out, might be difficult to prove. This difficulty should not of itself deter you from deciding, if and when you come to the point of decision, to institute suspension proceedings, provided you are reasonably satisfied that sufficient proof of these charges of violation, or other important charges, can be obtained.

"It is probably true, as you suggest, that the apparent violations most difficult to prove are those which involve 'the distinction between instalment and charge sales'. It may be difficult to prove, under the present terms of the regulation, that any given transaction which purports to be a 'charge sale' is in fact an 'instalment sale'. This difficulty, however, should be distinguished from that of determining whether, as a matter of policy, transactions which are of the type in question should or should not be defined by the regulation as 'instalment sales', subject to such requirements as the prescribed down payment.

"Some of the relevant provisions of the regulation, as you know, have been under study here for some time and are still under study. In characterizing them as 'vulnerable', your letter appears to inquire whether the Board might wish the Federal Reserve Banks, as a matter of policy, to avoid bringing them at this time to such a test as suspension

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"proceedings in the Shaw Rogers case would impose, not so much because of the difficulty of proving violation in this case as because of the possibility that these provisions might sometime be changed by amendment and that in the event their having been enforced by the Reserve Banks in the meantime might prove embarrassing to the Board. The answer to such an inquiry would be that even though this possibility may exist, the Board would not regard it as of sufficient importance at the present time to deserve consideration in the instant case.

"You will note that the foregoing comments are designed to be of such assistance as may be to your deliberations on the Shaw Rogers case and not to give instructions as to what the Federal Reserve Bank of Cleveland should do in this case or how it should do it. The responsibilities of the Bank are set forth in the letters of May 28, 1942, those of August 14, 1942 and January 22, 1943, to which reference has already been made, and are further indicated by the Board's circular letter of March 26, 1943 (Z-1049), concerning the case of the \_\_\_\_\_ Jewelry Company. At the same time, it is recognized that some of these matters are difficult to cover by correspondence. If you or your Counsel should feel the need of further consultation with the Board or its staff on this case, and should care to come to Washington for the purpose, we should of course be glad to cooperate."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.