

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 30, 1943, at 2:00 p.m.

PRESENT: Mr. Eccles, 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 April 29, 1943, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. Frazer, Secretary pro tem of the Federal Reserve Bank of Atlanta, and Messrs. Dillard, Stewart, and Hale, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on April 27, by the Federal Reserve Bank of Atlanta on April 28, by the Federal Reserve Banks of New York, Philadelphia, and Chicago on April 29, 1943, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum dated April 28, 1943, from Mr. Morrill, recommending that Sam Reed be appointed as a laborer in the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the 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. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This is to advise you that the Board of Governors notes without objection the salaries paid to employees of your Bank as of January 1, 1943, which were submitted in accordance with the Board's letter dated December 28, 1942 (S-604).

"This action is taken in the light of the explanation with respect to salaries paid James R. Condon, Head Printer, and Vito Sisto, Dishwasher, given in Mr. Meyer's letter of April 27, 1943.

"A separate letter is being sent to Mr. Leland regarding the payment of salaries to Carl Schelling, Assistant Federal Agent and Charles J. Scanlon, Alternate Assistant Federal Reserve Agent, referred to in Mr. Meyer's letter dated April 26, 1943."

Approved unanimously, together with the following letter to Mr. Leland, Federal Reserve Agent at the Federal Reserve Bank of Chicago:

"Reference is made to Mr. Meyer's letter of April 26, 1943, with regard to increases in the salary of Mr. Carl Schelling, Assistant Federal Reserve Agent, and Mr. Charles J. Scanlon, Alternate Assistant Federal Reserve Agent at the Head Office for which, inadvertently, prior approval had not been requested.

"The Board of Governors approves the increase in the salary of Carl Schelling, Assistant Federal Reserve Agent from \$4,300 to \$4,500 on December 1, 1942, and the increases in the salary of Charles J. Scanlon, Alternate

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"Assistant Federal Reserve Agent, from \$3,200 to \$3,400 on December 1, 1942, and from \$3,400 to \$3,600 on April 1, 1943."

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

"In reviewing with officers of the Military Government Division the results of the Board's telegram of February 23 to the Presidents of all Federal Reserve Banks, it appears that in some cases names have been submitted of men who did not possess the necessary qualifications. In most cases, names have been forwarded without evaluation by the Reserve Bank of the qualifications of the applicant and apparently on the assumption that the applicant's own desires in the matter justify the submission of his name.

"Although it is recognized by the Army that there are relatively few men who qualify under the terms of our telegram referred to, they advise that they do not have a sufficient number of qualified applicants in the banking and fiscal field. Therefore, it will be appreciated if you will again canvass the field in your District and submit the names of any additional qualified men.

"I might add that the recent changes in the Selective Service regulations may serve to stimulate the interest of qualified men who have not heretofore desired this kind of military service. Furthermore, the more imminent prospect of further occupations may likewise stimulate more interest in Military Government service."

Approved unanimously.

Letter to the board of directors of "The Andover Bank", Andover, Ohio, 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 Cleveland.

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

Letter to Mr. Carstarphen, General Counsel of the Federal Reserve Bank of St. Louis, reading as follows:

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"For your information there is enclosed a copy of a letter dated April 9 addressed to Mr. D. J. Needham, General Counsel, American Bankers Association, by Mr. Charles Herman, Assistant Counsel, Mississippi Valley Trust Company, regarding a question raised in the examination of that company relative to an investment purchased for a common trust fund.

"The question had already been considered by the Board's Legal Division, and a copy of Mr. Baumann's memorandum of March 16 is also enclosed for your information.

"Mr. Needham has been advised orally that we agree with the examiner's opinion, and Mr. Needham replied that he did also. Mr. Needham has also been advised that a copy of Mr. Herman's letter is being sent to you in case Mr. Herman should wish to discuss the matter with you directly. It seemed possible that he might have some further facts to offer with regard to the question whether the 'interest' of the director was sufficiently great to make the prohibition in section 11(a) applicable."

Approved unanimously.

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

"Receipt is acknowledged of your letter of April 23 enclosing a letter from the State Street Trust Company with reference to the question whether under the provisions of section 7 of Regulation W a note evidencing a single-payment loan may have a maturity of 3 months as distinguished from 90 days.

"As you point out, sections 7(a), 7(b), 7(c)(2) and 7(e) refer to a maturity of '90 days'. However, this limitation is to be read in connection with the requirements of subsection 7(c)(2), which provides for the renewal of the loan 'by a series of obligations each of which has a maturity of not in excess of 90 days if the last of such obligations matures not later than the date on which an instalment loan made for a similar purpose would have matured'. The footnote which is appended to subsections 7(c)(1) and 7(c)(2) gives the maturity as either 'twelve months' or 'six months' depending on the circumstances.

"It is apparent therefore that the two methods of describing the period are used interchangeably and that a note evidencing a single-payment loan may have a maturity of 3 months or 90 days."

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Approved unanimously, with the understanding that a copy of the above letter would be sent to the Presidents of all the Federal Reserve Banks.

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

"Consideration has been given to the applicability of Regulation W to advances made by insurance companies and general agents to their agents and salesmen in the light of your letter of April 3 and the subsequent conference which Mr. Benson and Mr. Hendricks had in the Board's offices.

"Many of these advances are exempted from the Regulation by section 8(j), which provides that the regulation shall not apply to a loan for business purposes to a business enterprise which is not for the purpose of purchasing a listed article. Loans exempted by this provision would include loans made by the company to a general agent to enable him to pay office rent, salaries and other office expenses. However, a loan to a salesman to enable him to pay his ordinary living expenses would not be exempted by this provision because it would not be 'for business purposes'.

"In view of the fact that the Regulation does not apply to a loan unless made by a person who is 'engaged in the business' of making such extensions of credit, the Regulation would not be applicable to advances made by companies or agencies which do not make such advances except in isolated instances. However, some companies and agencies have a policy of making advances to salesmen to pay some or all of their living expenses during the first few months of their association with the company or agency when their earnings are small. In such cases the company usually should be regarded as 'engaged in the business' of making such loans. The question is very similar to that discussed in W-61. Whether or not such advances are mere isolated transactions is, of course, a question to be decided on the facts of the particular case, and the fact that the company may have an established procedure for handling such advances would be one of the facts to be considered.

"Although advances of this kind are usually 'loans' within the meaning of the Regulation there may be cases where (1) the new salesman or agent does not undertake either specifically or by implication to repay the money, (2) no interest is charged, and (3) the arrangement is in effect a commission basis with a guaranteed minimum, and the payments are in essence payments of compensation for engaging in the sale of

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"insurance which are paid, not as advances, but as compensation for current work, until such time as the earnings in the form of commission have become greater than such periodic payments and have reimbursed the company or general agent for payments already made, at which time the arrangement is terminated and the salesman or agent is placed on a straight commission basis. In cases where all these factors are present, it may be said that as between the parties, the advance is not a loan but something equivalent to a payment of salary or wages, and that consequently the Regulation is not applicable. However, in order that there may be no question as to the facts in such cases, all the terms of the agreement between the parties should be stated in writing."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. ...  
Chairman.