

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 8, 1943, at 11:30 a.m.

PRESENT: 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
Mr. Smead, Chief of the Division of Bank Operations
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Van Fossen, Assistant Chief of the Division of Bank Operations
Mr. Hammond, Chief of the Correspondence and Publications Section of the Secretary's Office

Before this meeting each member of the Board had been furnished with a memorandum dated April 15, 1943, which had been prepared by a group of the Board's staff and which submitted for consideration by the Board a draft of proposal to make available, within the Federal Reserve Retirement System, to the employees of the Board of Governors (other than those who retain membership in the Civil Service Retirement System) retirement benefits equivalent to those to which the employees would be entitled if they were members of the Civil Service Retirement System. Attached to the memorandum were:

1. Explanatory statement for the information of the employees if the plan receives the favorable consideration of the Board;
2. Draft of resolution of the Board of Governors embodying the plan, to be known as the Board of Governors Plan;

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3. Proposed amendment to the rules and regulations of the Federal Reserve Retirement System to enable the Board to adopt such a plan; and
4. Draft of form to be executed by members of the Retirement System who elect to accept the plan.

The memorandum stated that before the plan was adopted and formally submitted to the employees it was believed desirable, if the Board were favorable to the proposal, to ascertain informally what comments, if any, the Employees' Committee might wish to have considered and also to obtain any suggestions that Mr. Rounds, Chairman of the Retirement Committee, and the Retirement System actuary and counsel might desire to submit, with the understanding that if all the preliminary steps could be taken before June 1, 1943, the plan would become operative on that date.

There was a discussion of the proposal in the light of information contained in the memorandum, during which it was stated that the proposed revision of the Retirement System as applied to the Federal Reserve Banks had not yet been finally acted upon by the Presidents' Conference, that the proposal with respect to benefits for the Board's employees contemplated that each of the present employees (not including employees who are now members of the Civil Service Retirement System) would have the option of (1) continuing under the present plan, (2) accepting the new Reserve Bank plan, or (3) accepting the new Board plan, and that, therefore, it was contemplated that the proposal would not be submitted formally to the Board's employees until after action had been taken by the Presidents' Conference.

Mr. McKee expressed the opinion that the action should be taken by the Presidents' Conference at the earliest possible date in order

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that the revised program might be put into effect as promptly as possible, and the other members present concurred in this opinion.

At the conclusion of the discussion, all of the members of the Board present stated that they were in favor of the adoption of the proposal for the Board's employees as outlined in the staff memorandum, and it was understood that Mr. Morrill would take the matter up with Messrs. Eccles and Ransom upon their return to the office on May 10, 1943, and that the proposal would be discussed with the Employees' Committee, Mr. Rounds, and the Retirement System's actuary and counsel as suggested in the staff memorandum.

Secretary's note: In accordance with the above understanding, Mr. Morrill reported subsequently that Messrs. Eccles and Ransom concurred in the action that had been taken by the other members of the Board.

At this point, Messrs. Smead, Leonard, Vest, Van Fossen, and Hammond withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 7, 1943, were approved unanimously.

Memorandum dated May 7, 1943, from Mr. Morrill, recommending that E. P. Jordan be appointed operating engineer in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the rate of \$1,860 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.

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Memorandum dated May 5, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Margaret F. Mills be appointed as a clerk-stenographer in that Division, with basic salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory should develop in the investigation of her references her services may be terminated immediately.

Approved unanimously.

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

"In accordance with the requests contained in your letters of May 5, 1943, the Board approves the appointments of Matthew F. Lynch, John A. Shinn, and Harvey J. Wishart, at present assistant examiners, as examiners for the Federal Reserve Bank of Chicago. Please advise us of the dates upon which the appointments become effective."

Approved unanimously.

Letter to the board of directors of the "Austin State Bank", Chicago, Illinois, stating that, subject to conditions of membership numbered 1 to 6 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 appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate the remaining \$1,200 estimated losses in loans as shown in the report of examination of such bank as of March 29, 1943, made by an examiner for the Federal Reserve Bank of Chicago."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Austin State Bank', Chicago, Illinois, 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 Auditor of Public Accounts for the State of Illinois for his information.

"It has been noted that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16 (1) of the report of examination for membership."

Letter to Mr. Trimble, Assistant General Counsel of the Federal Reserve Bank of New York, reading as follows:

"In reply to your letter of May 1, 1943, addressed to Mr. Vest, regarding proposed amendments to the guarantee agreement in the case of the guaranteed loan made to the Varey-Shea Bag Corporation of Elizabeth, New Jersey, there is enclosed a copy of a letter which we have received from Lieutenant Colonel Paul Cleveland of the War Department with respect to this matter.

"It is noted that Colonel Cleveland's letter does not cover the question raised in the last paragraph of your letter regarding the addition to the guarantee agreement of standard conditions (A) to (F), inclusive. We will communicate further with the War Department regarding this point."

Approved unanimously, together with the following letter to Lieutenant Colonel Paul Cleveland, Chief of the Loan Section, Advance Payment and Loan Branch, Fiscal Division, War Department:

"We have received your letter dated May 5, 1943, in response to an inquiry made by Mr. Rufus J. Trimble, Assistant General Counsel, Federal Reserve Bank of New York, with respect to certain proposed amendments to the guarantee agreement in the case of the guaranteed loan made to the Varey-Shea Bag Corporation of Elizabeth, New Jersey; and

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"we have transmitted a copy of your letter to Mr. Trimble.

"It is noted that your letter apparently does not cover the question raised in the last paragraph of Mr. Trimble's letter of May 1, 1943, with respect to the addition to the guarantee agreement of standard conditions (A) to (F), inclusive. We will be glad to have any comments you may wish to make regarding this point.

"In this connection there is enclosed a copy of a letter received from Mr. Trimble dated May 6, 1943, with further reference to this case, transmitting copies of the form of proof of claim which the financing institution proposes to file in the pending bankruptcy proceedings. It will be appreciated if you will advise us whether the War Department has any objection to this form."

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

"The Board's letter of January 26, 1943 (S-612) requested reports on the enforcement activities of the Federal Reserve Banks in connection with Regulation W. The first of these reports covered the period ending January 31, 1943, and the second will cover the three months ending April 30, 1943.

"The first reports were very helpful not only in their presentation of information as to the scope of enforcement in the various districts but also in the light they shed upon the effectiveness of the regulation and its acceptance. It is understood that the reports of some and perhaps all of the Reserve Banks have been made available to the other Reserve Banks. This would appear to be a desirable procedure since it serves to give each Reserve Bank an idea of the general picture better than any condensed summary which could be prepared here and at the same time makes available to each Reserve Bank details respecting the experience of the others. The reports show a larger amount of activity by some Reserve Banks than by others, but this difference may be due in a large measure to different conditions existing within the various districts. This is a matter which will of course receive continuing consideration.

"The Board has noted from the reports that the activities of the other agencies cooperating in the enforcement program may have varied considerably. It is assumed that the Reserve Banks will be in sufficiently close touch with these agencies on an informal basis to enable them to keep the Board advised of developments in the fields covered by these other agencies.

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"Several comments made by the Reserve Banks have to do with provisions of the regulation which, in the light of enforcement experience, may possibly require amendment. These relate in particular to the distinction between 'charge sale' and 'instalment credit', the exemption of items costing \$6.00 or less from the down payment requirements, and the use of coupon books. All of these matters, together with a number of others, are being given further study here.

"In future reports it may be that some or all of the Reserve Banks will prefer to use a modified method of reporting the information called for by items 4 and 6 of the Board's letter of January 26, 1943. In lieu of the number of accounts or transactions investigated and the number of violations, there could be substituted the proportion of accounts or transactions investigated that were found to be noncomplying, classified into instalment sales, charge sales, instalment loans, and single-payment loans. The violations would not need to be classified fully by type but it would be helpful if the principal kinds were listed with some indication of their relative importance.

"With respect to item 7--the list of apparently willful violators, the nature of violation and status of case--we should like periodic reports from all Federal Reserve Banks to be reasonably complete, prepared according to the Bank's own judgment of where the line should be drawn between the apparently willful and apparently inadvertent. A list as complete as that prepared by the Federal Reserve Bank of San Francisco in its first report, which we understand was sent to all other Federal Reserve Banks, would seem to be well adapted for our purposes.

"The enforcement activities of the Bank Examination Department of your Bank may be covered in one or two general paragraphs without following the numbered paragraph plan requested for the other data in S-612."

Approved unanimously.

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

"Incident to the recent revision of the weekly and semi-monthly reports of deposits submitted by member banks for reserve computation purposes, one of the Federal Reserve Banks provides its member banks with a form which calls for figures to be reported to the nearest even thousand dollars. The forms provided by most of the other Reserve Banks call for figures in even hundreds of dollars or in even dollars.

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"Whether figures are reported in thousands, in hundreds, or in dollars makes little difference from the standpoint of average required reserves or in penalties for deficiencies. The preparation of the reports and the compilation of statistics from the reports, however, would be facilitated if figures were reported in thousands. In the circumstances it is suggested that all Reserve Banks consider the advisability of adopting a form calling for the reporting of figures in thousands of dollars when the supply of existing forms has been exhausted."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Mrs. Gynysak
Member.