

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, May 22, 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 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 May 21, 1943, were approved unanimously.

Memorandum of this date from Mr. Morrill, submitting the resignation of John C. Carmen as a guard in the Secretary's Office, to become effective as of the close of business on June 14, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted with the understanding that proper deduction would be made from his salary for five hours of unearned sick leave.

Letter to Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of March 31, in response to our inquiry of March 26, regarding the action taken by your directors on the resolutions adopted at the Conference of Chairmen on October 5, 1942.

"We are pleased to learn that the directors of the Federal Reserve Bank of Atlanta are in full accord with the principles relative to the relationship of Reserve Bank Auditors. It is noted that, at the February meeting of the

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"directors, President McLarin presented a resolution embodying the exact language of the Statement of Principles approved by the Conference and recommended that your directors adopt the resolution. However, you state that your directors 'declined to do so on the ground that the Bank already fully complies with the spirit and believes that it is complying with the letter of the eight paragraphs in Z-893, and that, in the absence of any specific criticisms, the passage of the resolution would imply an unwarranted reflection on the existing conduct of the Bank.'

"From the standpoint of the Board of Governors, the recognition and maintenance of the various principles in your Bank is the important consideration, and whether or not the precise wording of the Statement of Principles is made a matter of formal action is not a material point. However, we fail to see that the passage of a resolution, such as that described, would imply an unwarranted reflection on the existing conduct of the Bank. In fact, it would appear to us as a convenient method of recognizing formally what, in your case, apparently has been an established practice. We understand, of course, that your directors are in full accord with the spirit of the resolution adopted at the Conference, which is the important thing, and we are only commenting on the matter here in order that there may be no misapprehension on the part of your directors as to the nature of our interest in the subject.

"With respect to the procedure for reporting indebtedness of Reserve Bank officers and employees, it is noted that the procedure in effect at your Bank differs from that suggested by the Conference of Chairmen as regards paragraphs (1), (2), and (3). As you will recall, these portions of the procedure essentially provide: (a) that each individual report should be submitted sealed to the Chairman; (b) that, before the reports are presented to the Board of Directors, or the appropriate committee thereof, the Chairman should have such reports reviewed and commented upon by the President; and (c) that the Auditor should review promptly the reports and information obtained from reports of examination.

"With regard to paragraphs (1) and (2), it can be said that the suggested procedure for handling such reports was developed after very careful consideration of the problem, and that, in conformity with the Board's letter S-8 of June 25, 1937 (F.R.L.S. #9055), these reports were to be made to the Board of Directors. As to paragraph (3), it is noted that the Auditing Committee at your Bank is hereafter to review these reports also, but from our information it is not clear that the Auditor's responsibility for reviewing such

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"reports at your Bank conforms to that contemplated by the suggested procedure. You are familiar, of course, with the discussion on this point at the Conference, but it is our thought that the reasons advanced in that discussion clearly showed the desirability of having all indebtedness reports accessible to the Auditor and of having him review them as a matter of regular procedure and requiring that he report to the Board of Directors, or the Chairman or a committee thereof, any matters which in his opinion should be brought to their attention.

"The Board approved, among others, the resolution adopted at the Conference relative to the procedure for reporting indebtedness of Reserve Bank officers and employees, and has been pleased to note the progress made among the Reserve Banks in bringing about the implementation of the various resolutions adopted by the Conference of Chairmen. It is assumed that you will wish to review again with your directors the matter of the indebtedness reports procedure, pointing out to them the fundamentals involved and the matters discussed at the Conference which resulted in the adoption of the resolution. The Board would appreciate being advised as to the further actions taken with respect to the suggested procedure."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Honorable Thomas F. Ford, House of Representatives, reading as follows:

"In response to your letter of May 17 in regard to the Peoples Bank of Lakewood Village, California, since the matter has been the subject of correspondence between that bank and the Board recently, I think the best way to answer your question is to furnish you copies of our recent correspondence with that bank. This consists of a letter dated April 3, addressed to the Board by the Peoples Bank of Lakewood Village and signed by E. B. Martin, Vice President, and a letter dated April 27, 1943 from the Federal Reserve Bank of San Francisco to Mr. Martin containing the Board's reply. That reply states the position which the Board has taken with respect to the application of the Peoples Bank for approval of a proposed plan of reorganization involving that bank and two other existing banks."

Approved unanimously.

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Letter to "The First National Bank of Holdrege", Holdrege, Nebraska, reading as follows:

"This refers to the resolution adopted on November 10, 1942, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereof, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Memorandum dated May 19, 1943, from Mr. Ransom, recommending that the Board approve the letter quoted below to the Presidents of all the Federal Reserve Banks submitting a proposed amendment to Regulation W, Consumer Credit, for comment from them and through them from the trade. The memorandum stated that the changes which would be made by the proposed amendment were essentially technical, designed to improve the practical workings and administration of the regulation, and would leave unchanged all the fundamentals, such as the list of articles, the prescribed down payments, the maximum maturities, etc., since it was

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considered inadvisable to make any change in these at this particular time.

"Consideration is being given to a proposed Amendment No. 10 to Regulation W in draft form as shown by the enclosure. The matters to which the proposed amendment relates are outlined on the attached summary.

"The Federal Reserve Banks are requested to make comments and suggestions on the proposed changes and to advise the Board of their own recommendations. They are also requested to consult with interested persons in their districts, particularly national trade associations, and obtain their comment. It is suggested that the national associations be asked to submit their comments in writing. This material and your recommendations should reach the Board by June 14, 1943.

"You are at liberty to show the summary and the draft language to any person consulted, but it will be appreciated if the Reserve Banks and the trade will treat the proposals and discussions as matters not for publication or press release."

Approved unanimously.

Letter to Mr. J. W. Feikert, Installment Loan Department of The Franklin Square National Bank, Franklin Square, Long Island, New York, reading as follows:

"This is in reply to your letter of May 8, 1943, calling attention to Supplementary Conservation Order L-41-d which has the effect of excluding from the restrictions of the Conservation Order the re-siding or re-roofing of any structure with asbestos siding or roofing material where any part of the existing siding or roofing is in need of painting or other maintenance and repair. You suggest that in view of the purpose of the Order, which was to provide for the consumption of short fibre asbestos produced at the same time as the long fibre asbestos used in the war program, the Board might amend its Regulation W so that credit for re-siding and re-roofing with this material would not be subject to the maximum maturity requirement of 12 months.

"You are familiar with the reasons why Regulation W imposes restrictions on the use of credit by consumers. Today, the need to curb the additions to consumer purchasing power that are made available whenever credit is employed is as

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"great as ever. It is still imperative that when credit is obtained it be paid off promptly. It is for this reason that the Board is reluctant to permit longer maturities in any field than those that are now specified. Exceptions are occasionally made but only when on a balance of considerations the national interest would be promoted.

"Up to the present time it has not appeared that the situation calls for a relaxation of the credit restrictions in addition to the relaxation of Conservation Order L-41 of the War Production Board. The Board is quite willing to consider changes and will give careful attention to any new developments affecting this problem. An amendment to Regulation W, however, to deal with this problem is not now in contemplation.

"We very much appreciate your having written to us on this subject. We are sending a copy of your letter and a copy of our reply to the Federal Reserve Bank of New York which is responsible for the administration of Regulation W in your locality, so that it may be in a position to discuss the matter with you if you have further inquiries."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. F. J. Bailey, Assistant Director of Legislative Reference, Bureau of the Budget, reading as follows:

"This is in reply to your request of May 4 for the views of the Board with regard to the proposal contained in H. R. 1575, a bill 'To prohibit Federal agencies from requiring persons to furnish burdensome and nonessential information, to require the Department of Commerce to act as the Government information collection agent, and for other purposes.'

"There is enclosed a copy of a letter containing a similar request that was sent to the Board by Mr. Marvin H. McIntyre, Secretary to the President, on October 19, 1938, and a copy of the Board's reply. The Board still holds the opinions expressed in that letter. It believes that it is best not to go too far in centralizing statistical work. Collection of statistics should remain in the hands of the agencies best qualified to determine the inquiries that are needed and can readily be obtained, and to supervise, edit, compile, and interpret the resulting material. At the same time there should be an agency charged with the duty of acting as a clearing house of available statistical data and as a coordinating body to prevent duplication of effort.

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"The Board believes that the Division of Statistical Standards of the Bureau of the Budget has ably carried on the work formerly performed by the Central Statistical Board and that the present system, whereby the Division of Statistical Standards operates as a coordinating statistical agency under the authority granted to the Director of the Budget by the Federal Reports Act of 1942, is a satisfactory type of statistical organization for the Federal Government. Consequently, the Board believes that the proposed legislation is not needed or desirable."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. F. J. Bailey, Assistant Director of Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of May 19, 1943, enclosing a facsimile of an enrolled enactment of S. 1041, 'to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes', and requesting comments thereon.

"The Board of Governors feels that this legislation is desirable and important for the reasons explained in the letter of April 26, 1943, which is set forth in the enclosed copy of the report of the Senate Committee on Banking and Currency with reference to this bill. As therein stated, if the authority to pledge Government securities as collateral for Federal Reserve notes should be allowed to expire, the Federal Reserve Banks could not continue to meet the combined requirements of reserves against deposits and collateral for Federal Reserve notes due to the heavy credit requirements of war financing.

"Accordingly, it is recommended that the President approve S. 1041.

"It is estimated that the enactment of this bill would involve no additional cost to the United States."

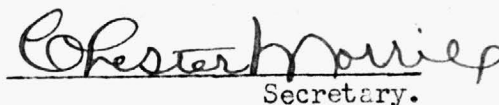
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



Chairman.



Secretary.