

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 24, 1943, at 11:00 a.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 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 July 23, 1943, were approved unanimously.

Letter to Honorable Earl G. Harrison, Commissioner, Immigration and Naturalization Service, Philadelphia, Pennsylvania, reading as follows:

"Mr. Eduardo Luis Montealegre has applied to us for a temporary position in our Division of Research and Statistics in order to complete his training in this country. Mr. Montealegre is a citizen of Nicaragua and we are informed that he entered this country July 5, 1941, at Brownsville, Texas. We are also informed that he has an official passport, came to this country as a student under the Convention for the Promotion of Inter-American Cultural Relations, and has a visa as a non-immigrant under Section 3, paragraph 1, of the Immigration Act of 1924.

"Mr. Montealegre has been a student at the Graduate School at Harvard University during the past year. He

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"would now like to gain the experience of working in the Board's Division of Research and Statistics as part of his training in economics and public administration. Our Division of Research and Statistics in turn would like to add him temporarily to its staff in a junior capacity because of his specialized knowledge of Latin-American affairs.

"Mr. Montealegre informs us that if he is appointed to the Board's staff, he expects to continue his studies at Georgetown University and to continue his reading for the comprehensive examinations at Harvard University.

"He also informs us that after the completion of his training in this country he expects to return to Nicaragua and reenter the public service there, preferably in the financial and fiscal field.

"Mr. Montealegre's case appears to be similar to those of Latin American students coming under the Inter-American Training Program of the Office of the Coordinator of Inter-American Affairs, who, we understand, have been permitted by the Immigration and Naturalization Service to accept temporary employment when such work furthers their training program. We have been informally advised that the Office of the Coordinator of Inter-American Affairs is in favor of the proposed arrangements for Mr. Montealegre and would regard it as part of his program of studies while in this country.

"If this arrangement is permissible, we would appreciate your cooperation in taking whatever action or advising us as to what action should be taken to permit Mr. Montealegre to be appointed on a temporary basis to the Board's staff."

Approved unanimously.

Memorandum dated July 21, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that, in accordance with the request of the Secretary of State, Mr. Thomas, Assistant Director of the Division, had been designated to take charge of the preparation of financial material for the peace conference, and

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that this change had necessitated certain reassignments of duties in the Division as outlined in a memorandum from Mr. Goldenweiser to the members of the Division of Research and Statistics which was attached to his memorandum to the Board.

Approved unanimously, Mr. McKee stating that his approval was with the express understanding that the letters relating to matters of policy or opinion which Mr. Goldenweiser's memorandum stated he would continue to sign would not include expressions which would bind or commit the Board.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Detroit Branch involving changes in the description of the work for the positions of Security Teller and Assistant Security Teller as submitted with your letter of July 21, 1943."

Approved unanimously.

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

"Pursuant to request your wire July 23, Board approves designations of L. H. Jones, Jerome H. Gales, G. H. Parsell, Henry Benner, Arthur W. Mitchell, and Henry W. Evans as special examiners for Federal Reserve Bank of San Francisco."

Approved unanimously.

Letter to "The Gary State Bank", Gary, Indiana, reading as follows:

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"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the Gary National Bank, Gary, Indiana, the national bank into which The Gary State Bank, Gary, Indiana, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of The Gary State Bank into the Gary National Bank becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise trust powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Chicago for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Memorandum dated July 16, 1943, from Mr. Parry, Chief of the Division of Security Loans, reading as follows:

"Attached -- with the recommendation that it be adopted and given immediate effect -- is proposed Amendment No. 3 to Regulation T.

"This is a technical (and liberalizing) amendment to section 4(c), entitled 'Special Cash Account'. It

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"is designed to deal with a new situation created by the recent initiation of a new type of trading by the New York Stock Exchange, and brought to our attention by them (see Mr. Schram's letter of June 25, 1943). This is trading in issued securities on a 'when distributed' basis, which involves delay in deliveries that is comparable in length and causation to the delays which characterize deliveries under the more common type of trading known as 'when issued' trading.

"The immediate case has arisen with reference to certain securities -- Public Service of New Jersey and Philadelphia Electric -- which are to be distributed in August by United Gas & Improvement Company, a holding company, pursuant to SEC action under provisions of the Public Utility Act of 1935. It is anticipated that other securities, to be distributed from time to time under similar circumstances, will in due course be admitted by the New York Stock Exchange or other national securities exchanges to 'when distributed' trading.

"It was hoped at one time that this question could be taken care of by an interpretation of Regulation T instead of an amendment thereto, but it was found that the present language of the regulation would not permit.

"The amendment, within limitations stated therein, will have the general effect of putting 'when distributed' trading on the same basis so far as credit is concerned as 'when issued' trading. More specifically, it will permit purchases which are 'bona fide cash transactions' to be made on a basis enabling payment therefor to be deferred, without any deposit having been made in the meantime, until the securities are available for delivery. This will facilitate such purchases by investment trusts, etc., whose practice it is to buy 'for cash' but not to make any payment or deposit prior to obtaining delivery.

"The amendment has been cleared with representatives of the New York Stock Exchange, the Federal Reserve Bank of New York, and the Securities and Exchange Commission. It has not been submitted to other national securities exchanges or to the National Association of Security Dealers, Inc., but their interest is quite secondary

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"and in any event there is no reason to believe that they would object — as the effect of the amendment is not restrictive but liberalizing."

The proposed amendment read as follows:

"Amendment No. 3 of Regulation T

"Section 4(c)(3) of Regulation T is hereby amended by adding at the end thereof a new sentence reading as follows:

'If the security when so purchased is an issued registered security which is to be distributed by a public utility holding company pursuant to a plan provided for by section 11 of the Public Utility Holding Company Act of 1935 and which has been approved by a national securities exchange for trading on a "when distributed" basis, the period applicable to the transaction under subdivision (2) of this section 4(c) shall be 7 days after the date on which the security is so distributed.'

The amendment was adopted by unanimous vote, to become effective on July 24, 1943, with the understanding that the Presidents of the Federal Reserve Banks would be advised by wire of the Board's action and would be requested to have the amendment printed and such distribution made in their respective districts as they deemed advisable, and that the Board would make no public announcement with respect to the amendment.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved: W. C. C. C.

Chairman.