A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 23, 1944, at 10:45 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
Mr. Thurston, Special Assistant to the Chairman
Mr. Smead, Director of the Division of Bank Operations
Mr. Paulger, Director of the Division of Examinations
Mr. Pollard, Assistant Director of the Division of Examinations
Mr. Wyatt, General Counsel
Mr. Hostrup, Federal Reserve Examiner

There were presented telegrams to Messrs. Flanders, Leach, and McLarin, Presidents of the Federal Reserve Banks of Boston, Richmond, and Atlanta, respectively, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziener, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on June 20, by the Federal Reserve Banks of Richmond and Atlanta on June 21, by the Federal Reserve..
6/23/44

Banks of Chicago, Minneapolis, Kansas City, and Dallas on June 22, 1944, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was then presented a letter dated March 15, 1944, from Chairman Wagner of the Senate Banking and Currency Committee asking for a report on S. 1777, a bill to establish a small business finance insurance administration in the Department of Commerce and to aid in financing small business enterprises by insuring loans to, and purchases of stock in, such enterprises. The request had been circulated among the members of the Board and had been held on the docket for consideration at a meeting when all the members were present.

There was unanimous agreement that, inasmuch as the bill was not being given active consideration and perhaps would not be at this session of Congress, the Board should follow its usual procedure and not submit a report at this time.

Reference was also made to a draft of letter to the Federal Reserve Agents and Presidents of all the Federal Reserve Banks enclosing a proposed revision of the memorandum describing the plan for securing Federal Reserve notes by the pledge of participations (undivided interests) in direct obligations of the United States in the System open market account which became effective on September 17, 1943. The principal change which would be made by the revision would be to provide for the allocation of specific securities to a particular Federal Reserve Bank when
requested by such Bank, the Board of Governors, the Federal Open Market Committee, or the executive committee of the Federal Open Market Committee. This change was suggested by Mr. Logan, Counsel for the Federal Reserve Bank of New York, to meet technical legal questions which he had raised concerning the present plan, and the revision of the memorandum had been prepared by members of the staff of the New York Bank after consultation with Messrs. Smead, Wyatt, and Vest of the Board’s staff. The change was proposed by the Federal Reserve Bank of New York as being desirable for the reasons that (1) it would provide a means for terminating the plan if and when this was deemed desirable, and (2) in the event of the insolvency or threatened insolvency or liquidation of a Federal Reserve Bank the amendment would avoid technical difficulties which might otherwise be involved in the operation of the System open market account by providing a mechanism whereby specific direct obligations of the United States in such account could be substituted promptly for undivided interests.

A discussion of the proposed revision ensued, during which Messrs. Smead and Wyatt stated that the present plan was working satisfactorily and the only reason that they could see for making the change would be to satisfy the questions raised by Mr. Logan. The members of the Board felt that convincing reasons had not been presented for making the proposed changes, and they were in agreement that possible insolvency or liquidation of a Federal Reserve Bank was not an adequate reason for making
the suggested change since under present circumstances there was little or no likelihood of such insolvency and any condition that might occur, which would require consideration of the questions raised by Mr. Logan, would develop over a period of time which would afford ample opportunity to make such changes in the plan as might then seem to be necessary or desirable.

During the course of the above discussion, Mr. Thomas, Assistant Director of the Division of Research and Statistics, came into the meeting.

At the conclusion of the discussion, Messrs. Smead and Wyatt were requested to prepare for consideration by the Board a draft of letter to Mr. Sproul, President of the Federal Reserve Bank of New York, advising him of the Board's position on the matter.

At this point Messrs. Paulger, Pollard, and Hostrup withdrew from the meeting and Mr. Parry, Director of the Division of Security Loans, came into the room.

In accordance with the agreement reached at the meeting of the Board on June 20, 1944, further consideration was given to the question whether action should be taken by the Board at this time to reduce from 60 to 50 per cent the maximum loan values on securities prescribed in the Board's Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered...
on a National Securities Exchange. In this connection, at Mr. Draper's request, there was read a memorandum addressed to him by Mr. Parry under date of June 22, 1944, relating to the reasons for the action of the Board in 1937 in establishing maximum loan values of 60 per cent on purchases of securities and a margin requirement of 50 per cent on short sales.

There was a discussion of the reasons that might be advanced for action by the Board to reduce the maximum loan values prescribed by the two regulations, and it was understood that Mr. Draper, in consultation with Mr. Parry, would prepare a draft of statement of the reasons which might be given by the Board for such action and that when the statement was ready the matter would be considered again by the Board.

Mr. McKee requested that such consideration be given at a meeting at which he would be present.

At this point Messrs. Thurston, Smead, Parry, Thomas, and Wyatt 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 June 22, 1944, were approved unanimously.

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

"The Federal Reserve Bank reports of member bank deposits, reserves, and borrowings on forms F. R. 422 and F. R. 413 are used not only as a measure of weekly and
"semi-monthly changes in these items, but also as a basis of adjustments in our current daily estimates of required and excess reserves. It is desirable, therefore, that the reports reach the Board's offices as early as practicable after the end of the report period. Accordingly, it will be appreciated if you will arrange to have these reports reach the Board's offices in accordance with the following schedule, so far as feasible:

The weekly report--on or before the second Monday following the end of the report period, which ends on Friday.

The semi-monthly report--on or before the last day of the semi-monthly period that follows the report period.

"If the current reports of a few of the smaller country banks are not available in time their reports covering the immediately preceding report period may be substituted. In that event, the report on form 413 should carry a note showing total net demand deposits and total time deposits of the banks for which substitutions were made. Unless otherwise advised in any specific instance, it will not be necessary to submit a revised report later.

"If a weekly or semi-monthly report cannot be dispatched by regular mail or air mail in time to reach the Board's offices by the scheduled dates indicated above, the amounts of net demand deposits and time deposits should be telegraphed to the Board; the other items need not be telegraphed.

"This supersedes the instructions contained in the Board's letter of July 2, 1936 (B-1161)."

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Boston, made as of April 29, 1944 by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Flanders.

"The Board of Governors will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to actions taken or to be taken as a result of the examination will also be appreciated."
"The Board is pleased to note the improvements in operations, personnel policies, and the personnel situation as brought out in the report of examination and will follow with interest future developments along these lines.

"At the time of Mr. Paulser's visit to your Bank during the course of the recent examination, he discussed with President Flanders the matter of appointing a qualified senior officer to have charge of the bank examination work at your Bank. Mr. Flanders indicated that consideration would be given to the matter. At your convenience, we shall be glad to learn of the plans in this regard and we are hopeful that we may have the opportunity to discuss the matter further with representatives of the Bank prior to any definite action being taken."

Approved unanimously.

Memorandum dated June 21, 1944, from Mr. Hooff, Attorney, recommending that there be published in the July issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

- Consumer Credit
- Amendments to Regulation W
- Reserves
- Withheld Income Taxes as Deposits
- Foreign Funds Control
- Treasury Department Releases

Approved unanimously.

Thereupon the meeting adjourned.

[signature]

Chairman.