

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, August 12, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper

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:

Memorandum dated August 8, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending (1) that the temporary appointment of Mr. E. L. Montealegre, South American Specialist in that Division, be extended through December 31, 1944, when it expires at the close of business on August 18, 1944, and (2) that his basic salary be increased from \$2,600 to \$2,900 per annum, effective September 1, 1944. The memorandum stated that if by the end of 1944 Mr. Montealegre had arranged to be in the United States for a longer period the Division would probably wish to take up the question of an extension of his employment with the Board.

Approved unanimously.

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

"It is quite agreeable to the Board of Governors if your Bank wishes to grant a leave of absence to Mr.

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"George W. Mitchell of the research staff for the purpose of conducting a special study for the Civil Aeronautics Board. It should be understood, however, that Mr. Mitchell is conducting this study as a private individual and not as a representative of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Nardin, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Your letter of August 5 and the Board's letter of the same date (S-779) crossed in the mail and it is believed therefore that you will find in the Board's letter S-779 the authority you desire for designation of representatives in the Collateral and Custody Departments at the head office and branches to act, with representatives of the Bank, as joint custodians of securities pledged with a Federal Reserve Agent.

"The employees so designated will be in a somewhat different status than the Federal Reserve Agent's Representatives at the branches whose duties are outlined in the standard Form A Classification Sheet. No reference need be made in the personnel classification plan to the representatives appointed under the authority of the Board's letter S-779.

"In your letter of June 30 you suggest that 'the Form A Classification page for Federal Reserve Agent's Representatives at the branches be changed so as to reflect accurately the work done by such representatives in controlling unissued notes or currency pledged as collateral, since this is really the only function they perform for the Agent'. The reference in Form A sheet to custody of collateral is in general terms reading 'supervises maintenance of custody of collateral (other than gold certificates) deposited by branch as security for outstanding Federal Reserve notes'.

"The Federal Reserve Agent's Representatives at the branches whose duties are outlined in the Form A sheet are the senior representatives of the Federal Reserve Agent at the branches and it is believed that they should not only be directly responsible for the issuance of Federal Reserve notes at the branches, acceptance of notes for

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"retirement, and maintenance of joint custody of unissued notes, but should also be generally responsible for seeing to it that the procedure established for the control by others of securities and paper pledged with the Federal Reserve Agent is properly carried out. It is believed therefore that the present description of the work of the Federal Reserve Agent's Representatives at the branches is not inconsistent with the duties of the representatives in the Custody or Collateral Departments appointed under the specific authority of Board's letter S-779."

Approved unanimously.

Letter to the "Wisconsin State Bank", Delavan, Wisconsin, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of August 4, 1944, regarding the penalty of \$3.20 incurred by First National Bank of Collingswood, West Collingswood, New Jersey, as a result of deficiencies in reserves during the semimonthly period ended June 30, 1944.

"In the circumstances stated in your letter, the Board authorizes your Bank to waive the penalty."

Approved unanimously.

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

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"This refers to your letter of August 5, 1944, regarding the penalties assessed against South Side Bank & Trust Company, Chicago, Illinois, for deficiencies in its reserves for the weekly computation periods ended May 26 and June 2, 1944.

"It is understood that there was no actual deficiency in reserves, and that the apparent deficiencies resulted from an error on the part of the member bank in classifying as a demand deposit an account that should have been classified as a time deposit open account. In the circumstances, the Board will interpose no objection to your refunding the penalties assessed, amounting to \$17.26."

Approved unanimously.

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

"A draft of Regulation V, Financing of War Production and War Contract Termination, as revised following receipt of the comments and suggestions submitted by the Federal Reserve Banks in response to the Board's letter of June 2, 1944, has been sent to Honorable Robert H. Hinckley, Director of Contract Settlement, for approval in accordance with the provisions of the Contract Settlement Act of 1944, and the Board of Governors is now in receipt of a reply stating that he approves the regulation as submitted.

"With a letter dated August 8, 1944, the Board sent to Mr. Hinckley a statement of the joint recommendations of the War and Navy Departments, the Maritime Commission, and the Board of Governors as to policies to be followed by the contracting agencies for which the Federal Reserve Banks act as fiscal agents in connection with guaranteed loans to finance the termination of war contracts, together with drafts of the standard form of guarantee agreement and loan agreement for use in connection with termination loans, as well as explanatory notes with regard to the use of these forms. A copy of the letter and statement are enclosed for your confidential information.

"The revised Regulation V and the rates referred to in section 4 thereof will not be prescribed by the Board

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"until the policies and forms referred to above have been approved in final form. However, in order to expedite the printing of the regulation, the Board is arranging to prepare photo-offset printing negatives for use in printing the revised regulation and will be glad at your request to send copies of the negatives to your Bank as soon as the effective date of the regulation is determined. A copy of the text of the regulation in the form in which it will be prescribed by the Board is enclosed.

"As an incident to the adoption of the new Regulation V and concurrently therewith, the Board will amend its Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks, to change the last sentence of subsection (h) of section 1 of that regulation to read as set forth below. The reasons for this amendment are substantially the same as those which prompted a similar amendment in September 1942.

'The requirement of this section of the regulation that a note, draft, or bill of exchange be negotiable shall not be applicable with respect to any note, draft, or bill of exchange evidencing a loan which is in whole or in part the subject of a guarantee or commitment made pursuant to Executive Order No. 9112 or the Contract Settlement Act of 1944.'

Approved unanimously.

Letter to Honorable Robert H. Hinckley, Director of Contract Settlement, reading as follows:

"Reference is made to the understanding reached at the War Loans meeting held on August 7, 1944 that a conference of representatives of the Office of Contract Settlement, the War Department, the Navy Department, the Maritime Commission, the Federal Reserve Banks, and the Board of Governors of the Federal Reserve System would be held in the Board's offices in Washington on August 21-22, 1944.

"Each of the Federal Reserve Banks has advised the Board that it will send a representative, and in the case of the Chicago and San Francisco Banks, an additional

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"representative will be sent to represent the Detroit and Los Angeles Branches, respectively. It is contemplated that the representatives of the Federal Reserve Banks will meet with the Board and its staff on the morning of August 21 and that the conference with representatives of your Office and the Services will convene at 2:30 p.m. on Monday, August 21.

"The Agenda will consist of a review and discussion of the policies and operating procedures to be followed in processing T-loans and such other matters as members of the conference may wish to have considered. Any suggestions you may have with regard to the Agenda would be appreciated.

"In order that arrangements for the conference may be completed well in advance, please advise us whether you plan to attend and the names of any other representatives of the Office of Contract Settlement who will be present."

Approved unanimously, together with the following letter to the War Department, and similar letters to the Navy Department and the Maritime Commission:

"There is enclosed for your information a copy of our letter of this date to the Honorable Robert H. Hinckley, Director of Contract Settlement, with regard to the conference to be held in the Board's offices on August 21-22, 1944.

"It would be helpful in completing arrangements for the conference if you would advise us of any suggestions you may have with regard to the Agenda and the names of the War Department representatives who will attend."

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your telegram of August 5, 1944, requesting information as to the procedure for examiners to follow in classifying loans to executive officers made prior to June 16, 1933, which were not paid or otherwise discharged or reduced to an amount not exceeding \$2,500, on or before June 16, 1944.

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"For your information with regard to this subject, there is enclosed herewith a copy of a letter which the Board addressed to the Federal Reserve Bank of New York in response to a similar inquiry in January 1938, when the law provided that loans to executive officers made prior to June 16, 1933, should not be renewed or extended for periods expiring after June 16, 1938. The views stated in the enclosed letter express the present position of the Board with respect to this matter, and a copy of the letter has been furnished to the Comptroller of the Currency for his information in this connection."

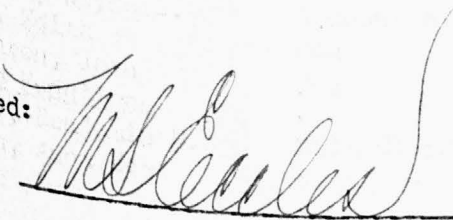
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.