

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, October 14, 1944, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, 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 October 13, 1944, were approved unanimously.

Telegrams to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that the Board approved the establishment by the Federal Reserve Bank of Kansas City, effective October 14, and by the Federal Reserve Bank of Dallas, effective October 16, 1944, of a maximum commitment rate on loans under section 13b of the Federal Reserve Act guaranteed under Regulation V of $1/4$ per cent per annum, based on the average daily unused balance of the maximum principal amount of the loan, or in the alternative a flat fee of not to exceed \$50; and that, otherwise, the Board approved the establishment without change by the Federal Reserve Bank of Kansas City on October 12 and the

10/14/44

-2-

Federal Reserve Bank of Dallas on October 13, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated October 13, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, that Frank R. Garfield, an economist in that Division, be advanced sick leave covering the period of his absence because of illness from September 2 through September 13, 1944.

Approved unanimously.

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

"In accordance with the request contained in your letter of October 10, 1944, the Board approves the appointment of Nicholas J. Kappanadze as an assistant examiner for the Federal Reserve Bank of Cleveland. If the appointment is not made effective on October 16, 1944, as planned, please advise us."

Approved unanimously.

Telegram to Mr. Ruml, Chairman of the Federal Reserve Bank of New York, reading as follows:

"Re Gidney's telegram October 13, Board extends to December 13, 1944, time within which voting permit authorized in its telegram of September 14, 1944, may be issued to Marine Midland Corporation, Jersey City, New Jersey."

Approved unanimously.

10/14/44

-3-

Letter, prepared for the signature of Mr. Ransom, to Honorable Paul J. Kilday, House of Representatives, reading as follows:

"I am writing to you about the problem of Mr. Hart McCormick under Regulation W which you referred to in your letters of September 19 and October 6, 1944, to Mr. Parry.

"Our understanding of Mr. McCormick's problem is as follows: Mr. McCormick has had an indebtedness of some years standing which he has been gradually reducing. His method has been to make a number of short-term loans which call for monthly payments over a period of twelve months. Payments are made on these loans for several months and then the loans are refinanced, an additional amount of money being advanced to him to bring the obligations back to or close to the original amounts. Thus it appears that he has engaged to pay off the obligations according to his contracts within twelve months but actually has not been able to do so and is counting on the refinancing after several payments have been made.

"Regulation W made provision for old obligations outstanding at the time it became effective, but it did not contemplate that they would be handled in the way Mr. McCormick has worked out. In fact, it does not seem possible that this particular method could have been provided for. You will readily understand that the force of a regulation which was aimed at limiting credit by prescribing a short maturity would be lost if the regulation permitted refinancing for a longer period whenever the borrower desired or permitted a borrower to obtain a loan on the terms prescribed with the intention of changing the terms after a while.

"Nevertheless, we believe that Regulation W will cause no serious hardship for Mr. McCormick. If necessary, his present obligations can be left outstanding for an indefinite time, as long as his creditors are willing to refrain from pressing him. The regulation carries no penalties for failure to pay in accordance with the contract.

"I am glad that you wrote to us about this matter and hope that I have given you a clear explanation of the situation."

Approved unanimously.

10/14/44

-4-

Memorandum dated October 10, 1944, from Mr. Vest, Assistant General Attorney, reading as follows:

"In connection with the last several examinations of the Federal Reserve Bank of New York, confirmations of certain foreign accounts have not been asked, either because it was unlawful or undesirable to do so.

"In accordance with this precedent, the attached letter from Mr. Millard indicates that accounts of certain foreign central banks will again not be verified. Mr. Logan has indicated in the attached memorandum that it would be either unlawful or inadvisable to communicate with the foreign banks in question. Mr. Millard also states that it does not appear practical or advisable to ask for a confirmation of the accounts of the Government of Yugoslavia because the Federal Reserve Bank is not at this time in a position to effect any transaction in these accounts.

"The Federal Reserve Bank of New York has been authorized by the Bureau of Customs to send its mail to Sveriges Riksbank, Sweden, Banque Nationale Suisse, Switzerland, and Vatican City, by diplomatic pouch provided it is first submitted to the office of the Collector of Customs at New York. I am of the opinion that the agreement between the Bank and the Bureau of Customs, while not specifically covering requests for confirmation transmitted by the Board's examiners, may properly be followed in connection with confirmations of accounts of the Sveriges Riksbank, the Banque Nationale Suisse and the Vatican, because they relate to the business of the New York Reserve Bank and originate in connection with an examination of such bank.

"In the absence of objection from the Board, therefore, it is understood that Mr. Millard plans to follow the precedent of the last several years and to make no effort to obtain confirmation of the accounts mentioned in Mr. Logan's memorandum or the account of the Government of Yugoslavia; and that the procedure agreed upon between the Reserve Bank and the Bureau of Customs will be followed in obtaining confirmation of the accounts of Sveriges Riksbank, Banque Nationale Suisse and Vatican City."

Approved unanimously.

10/14/44

Thereupon the meeting adjourned.

Chester Morris
Secretary

Approved:

Ronald Hanson
Vice Chairman.