

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 8, 1944, at 10:30 a.m.

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

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Hammond, Assistant Secretary
 Mr. Clayton, Assistant to the Chairman
 Mr. Goldenweiser, Director of the
 Division of Research and Statistics
 Mr. Smead, Director of the Division of
 Bank Operations
 Mr. Paulger, Director of the Division of
 Examinations
 Mr. Parry, Director of the Division of
 Security Loans
 Mr. Vest, Assistant General Attorney
 Mr. Wyatt, General Counsel

There were presented telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Messrs. Leach and McLarin, Presidents of the Federal Reserve Banks of Richmond and Atlanta, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, and Messrs. Ziemer and Earhart, Vice Presidents of the Federal Reserve Banks of Minneapolis and San Francisco, respectively, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis

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and San Francisco on December 5, by the Federal Reserve Bank of Atlanta on December 6, by the Federal Reserve Banks of New York, Philadelphia, Richmond, Chicago, Minneapolis, and San Francisco on December 7, 1944, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to the procedure that might be followed at the meeting with the Presidents of the Federal Reserve Banks on Tuesday, December 12, 1944, which is to be devoted to a discussion of papers prepared by members of the staffs of the Board and the Reserve Banks on the subject of Banking and Credit Policy.

Upon motion by Mr. McKee and by unanimous vote, the procedure to be followed during the meeting was referred to Messrs. Eccles, Evans, and Goldenweiser, with the understanding that the question of the publication of the papers would not be raised at this time.

Mr. Draper stated that a few days ago the Federal Reserve Bank of Boston received a request from the Military Affairs Committee of the Senate, which is investigating Mr. Robert A. Hurley and Lieutenant Colonel E. Heller in connection with their nominations as members of the Surplus Property Board, that Mr. Pitman, Vice President of the Bank, come to Washington and bring with him the Bank's records, as Fiscal Agent for the War Department, in connection with the financing by the War Department of war production contracts with the

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Narragansett Machine Company of Pawtucket, Rhode Island. Mr. Draper also said that Colonel Mechem of the War Department had requested by telephone that the records referred to be made available to the Senate Committee by the Federal Reserve Bank.

All of the members were agreed that, in view of Colonel Mechem's request, there was no reason why the records should not be made available but that, on the contrary, the Board should cooperate with the Senate Committee, and it was unanimously understood that Mr. Smead would, (1) call Mr. Pitman and tell him to bring the records with him when he came to testify before the Senate Committee, and (2) call Colonel Mechem and ask him for a letter confirming his telephone request that the files in question be made available to the Senate Committee.

In anticipation of discussions with the Presidents of the Federal Reserve Banks next week of matters on which the Presidents' Conference, which is meeting in Washington today and tomorrow, might wish to make recommendations to the Board, there was an informal discussion of the topics on the agenda for the Presidents' Conference. Reference was made in this connection to proposed enabling legislation for the Bretton Woods agreements. The members of the Board felt that, inasmuch as the draft of the legislation received from the Treasury Department earlier in the week was in tentative form and was being studied by the members of the Board's staff for the purpose of a staff conference at the request of the Treasury staff, the matter was not at a point

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where it could be discussed profitably with the Presidents at this time, and that in any event it could not be discussed without the permission of the Treasury.

Mr. Szymczak reported that recently Mr. Harry White, Director of Monetary Research in the Treasury Department, called on the telephone to say that he had appointments in Birmingham, Louisville, and Nashville, for speeches on the Bretton Woods agreements and inquired whether the bankers in those towns would be interested in meeting with him for luncheon discussions. Mr. Szymczak said he got in touch with the Presidents of the Federal Reserve Banks of Atlanta and St. Louis and the luncheon meetings were arranged.

At this point Messrs. Goldenweiser, Smead, Paulger, Parry, Vest, and Wyatt withdrew from the meeting.

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 December 7, 1944, were approved unanimously.

Memorandum dated November 29, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that the basic salary of W. J. McClelland, a Federal Reserve Examiner in that Division, be increased from \$5,000 to \$5,200 per annum, effective December 16, 1944.

Approved unanimously.

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

"In accordance with the request contained in your letter of December 5, 1944, the Board approves the appointment, effective December 1, 1944, of Adolphus D. Wilburn as an assistant examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to Mr. Koppang, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"As requested in your letter of November 29, 1944, the Board of Governors approves, effective December 1, 1944, the payment of salary to Mr. R. J. McMullen as Engineer and Building Supervisor, Oklahoma City Branch, at the rate of \$2,700 per annum, which is \$300 in excess of the maximum provided in the personnel classification plan for this position.

"Since a salary at the rate of \$2,700 per annum for the position of Engineer and Building Supervisor, Oklahoma City Branch, was covered by the certificate enclosed with your letter of July 21, 1944, it is believed that it will not be necessary in this instance to submit a similar certificate to the Joint Committee. Accordingly, as requested, the certificate submitted with your letter of November 29, is being returned."

Approved unanimously.

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

"The Board of Governors approves the establishment of the maximum annual salary of \$7,500 for the position of Chief Examiner, under the personnel classification plan of the Federal Reserve Bank of San Francisco, as requested in your letter of November 16, 1944.

"It is noted that the description of work on the Form A page submitted with your letter for the position

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"of Chief Examiner is somewhat similar to the page now included in the plan, whereas the duties and responsibilities of the position as reflected in the certificate submitted appear to be considerably broader.

"In the circumstances, it is suggested that the Form A page be revised to reflect more fully the duties and responsibilities of the position as presently constituted."

Approved unanimously.

Letter to the "Peoples National Bank of Edwardsville", Edwardsville, Pennsylvania, reading as follows:

"This refers to the resolution adopted on April 25, 1944, 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 thereto, (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.

Letter to Mr. McRae, Chief National Bank Examiner at the

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Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of May 9, 1944 and subsequent correspondence regarding an inquiry which you have received from F. S. Moseley & Co., Boston, Massachusetts, a member of the New York Stock Exchange, concerning the application of section 7(a) of Regulation T to certain transactions conducted by that firm. Section 7(a) reads as follows:

'(a) Arranging for loans by others. -

A creditor may arrange for the extension or maintenance of credit to or for any customer of such creditor by any person upon the same terms and conditions as those upon which the creditor, under the provisions of this regulation, may himself extend or maintain such credit to such customer, but only upon such terms and conditions, except that this limitation shall not apply with respect to the arranging by a creditor for a bank subject to Regulation U to extend or maintain credit on registered securities or exempted securities.'

"The inquiry resulted from an investigation by a representative of the Securities Exchange Commission into the activities of a securities dealer in Rochester, New York. This dealer had communicated with F. S. Moseley & Co. in behalf of certain individuals to whom he had sold unregistered securities and F. S. Moseley had acted as a loan broker in obtaining loans on these securities. A question was raised by the Securities and Exchange Commission investigator as to whether F. S. Moseley & Co. was acting in conformity with section 7(a) in this type of transaction and also in its other activities as loan broker.

"It is our understanding that subsequent to the investigation, F. S. Moseley & Co. discontinued the acceptance of loan brokerage business from securities brokers and dealers, so far at least as unregistered securities are concerned, and the only question remaining relates to its other activities as loan broker.

"If the persons for whom F. S. Moseley & Co. acts in obtaining loans are its 'customers' within the meaning of section 7(a), then it is clear that F. S. Moseley & Co. could not arrange loans for them on unregistered securities.

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"The term 'customer' is defined in section 2(c) of the regulation in the following language:

'(c) The term "customer" includes any person, or any group of persons acting jointly, (1) to or for whom a creditor is extending or maintaining any credit, or (2) who, in accordance with the ordinary usage of the trade, would be considered a customer of the creditor. ***'

"F. S. Moseley & Co. does not extend credit to or maintain credit for the persons for whom the firm acts in obtaining loans, so the application of the regulation depends upon whether or not they would be considered to be customers 'in accordance with the ordinary usage of the trade'. The facts bearing on this question are that although F. S. Moseley & Co. is a broker and dealer in securities, the loan brokerage business is operated as a separate department and no loan is arranged for any person who is a customer of the securities department.

"Inquiry among securities brokers and dealers has indicated that loan brokerage is not considered to be a part of the securities business, and consequently it appears to the Board that unless the persons for whom loans are negotiated are customers of the securities department of the firm, they would not be customers within the meaning of the term as used in Regulation T.

"The Board is therefore of the opinion that the stated activities of F. S. Moseley & Co. as loan broker would not contravene Regulation T."

Approved unanimously.

Letter to Mr. Hinrichs, Acting Commissioner of Labor Statistics, Bureau of Labor Statistics, Labor Department, reading as follows:

"In accordance with your letter of October 14, 1944, and subsequent telephone conversations, there is enclosed a statement showing the total number of employees of the Federal Reserve Banks on September 30 and October 31, and the total pay rolls for September and October 1944, classified by states.

"In future these data will be forwarded for each month as soon as they are available."

Approved unanimously.

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

"The Veterans Administration has requested that the following information regarding the preparation and use of Forms 1800, 1801, 1802, 1803, and 1806 be made available to banking institutions in your district:

'The determination of eligibility of the veteran requires the Veterans Administration to inspect original records in the possession of the veteran or in lieu thereof to refer to records in the files of the Veterans Administration or in the files of the Service departments (War Department, Navy Department, Marine Corps, or Coast Guard).

'It is recommended that lenders endeavor to have the veteran where practicable furnish the lender with evidence of eligibility in the form of discharge or separation papers or Certificate in Lieu of Lost or Destroyed Discharge, or properly authenticated photo copies of discharge or separation papers to be dispatched to the Veterans Administration together with Form 1800 properly completed.

'A photo copy of discharge or separation papers furnished to the veteran by the Service department may be considered to be properly authenticated if such photo copy is issued under the seal of the Service department. Photo copies of original discharge or separation papers prepared by persons or agencies other than Service departments may be considered to be properly authenticated if such copies are certified by and bear the seal of a Notary Public or other officer authorized by law to administer oaths or take acknowledgments.

'Statement should be placed on the request for Certification of Eligibility (Form 1800) outlining the type of evidence submitted, if such action is taken, and also a statement of the "C" number of the applicant, if a "C" number was assigned by the Veterans Administration and this

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"number is known to the applicant. A "C" number is a Veterans Administration file number which is assigned by the Veterans Administration to applications for pension and for certain other benefits.

'Form 1800 filled in and any supporting documents should be forwarded to the Regional Office or Combined Facility of the Veterans Administration located in the State in which the veteran resides. These offices should not be confused with the four Loan Guaranty Division offices hereinafter named.

'A discharge or other evidence of eligibility which is submitted with a request for Certification of Eligibility will be returned by the Veterans Administration with the Certification of Eligibility to the lender who shall return such evidence to the applicant.

'If the veteran is eligible and the Administrator of Veterans Affairs has not already issued guaranties in respect of the veteran totaling \$2,000 (the maximum amount which may be guaranteed under the Act), the remainder of the form will be completed and executed by the loan guaranty officer of the Veterans Administration and the original of the form will be returned to the lender. The lender should be sure to include on Form 1800 the address or location of the property to be appraised.

'The lender should then arrange for the preparation of the Loan Guaranty Certificate and Application for Home Loan Guaranty (Finance Forms 1801 and 1802) and, if any real estate is to be mortgaged, the lender should arrange with the appraiser designated by the loan guaranty officer on the Certification of Eligibility (Finance Form 1800) for the preparation of the Appraisal Reports (Finance Form 1803). The executed original of the Application for Home Loan Guaranty, the Appraisal Report (if any), and the other papers required to be submitted pursuant to sections 36.4024, 36.4025, and 36.4032 of the regulations of the Administrator of Veterans Affairs regarding the guaranty of home loans should be forwarded by the lender to the Loan Guaranty Division for the States listed below, unless some other agency is designated on the Certification of Eligibility to receive the application.

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- '1. New York, N.Y. Room 1221, 2 Park Avenue
Servicing the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York and New Jersey.
- '2. Washington, D. C. 300 Indiana Avenue
Servicing the States of Pennsylvania, Delaware, Maryland, Virginia, West Virginia, Ohio, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky and the District of Columbia.
- '3. San Francisco, California. 42nd & Clement Streets
Servicing Arizona, California, Nevada, Oregon, Washington, Idaho, Montana, Wyoming, Utah, Colorado and New Mexico.
- '4. Chicago, Illinois. 327 So. La Salle Street
Servicing Illinois, Michigan, Indiana, Iowa, North Dakota, South Dakota, Minnesota, Wisconsin, Missouri, Nebraska, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

'Any questions arising in connection with the preparation or handling of such forms should be taken up with Regional Offices or Combined Facilities of the Veterans Administration.'

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. [Signature]
Chairman.