

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 25, 1945, 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. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 24, 1945, were approved unanimously.

Letter, prepared for the signature of Chairman Eccles, to Mr. Clayton reading as follows:

"On behalf of the Board Members and myself, we want you to know that your letter of January 13, being your formal resignation from your position as Assistant to the Chairman, is accepted by all of us with the deepest regret. We also want you to know that your separation from the Board and the staff is going to be keenly felt as a material loss to the Reserve System.

"The ten years during which you have served this System so well have been trying years of almost continuous emergency and drastic change. The part you have played in assisting not only me, but the Board and the staff, has been outstanding. Your personality and ability to work with others have impressed us all. We all are interested in your continued progress and, being familiar with what you have decided upon for your next step in life, you take with you our sincere wishes for success in your new endeavors, as well as for good health and happiness.

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"We trust the time you have spent as a public servant and the experience thus gained will be helpful to you in your future undertakings. We know that wherever the future may lead you the Federal Reserve System will have an emissary, fully advised of the System's functions, and devoted to its welfare."

Approved unanimously.

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

"Receipt is acknowledged of your letter of January 17, 1945, advising of various actions taken by your Board of Directors at the meeting on January 15, 1945.

"It is noted that all officers of the Bank were reappointed for the year ending December 31, 1945, with the exception of the President and First Vice President, whose terms of office are fixed by statute, and Assistant Vice President Van Amringe, Assistant Vice President Latham, and Assistant Cashier Gilbody, who were appointed as such officers at the directors' meeting held on December 29, 1944, effective January 1, 1945.

"The Board of Governors approves the appointments of Messrs. Carl P. Dennett, Paul A. Draper, Edward M. Graham, Ralph E. Thompson, and J. Colby Lewis as members of the Industrial Advisory Committee for the First Federal Reserve District to serve for terms of one year each beginning March 1, 1945, in accordance with the action taken by your Board of Directors.

"It is also noted that Mr. Charles E. Spencer, Jr., President of the First National Bank of Boston, was reappointed as a member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1945. It is noted from your letter of January 18, that Mr. Spencer's acceptance of his reappointment has been received."

Approved unanimously.

Telegram to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

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"Reference wire January 24, Board approves designation of C. W. Ewing as special assistant examiner for the Federal Reserve Bank of Kansas City."

Approved unanimously.

Letter to Mr. Morris Goldman, 216 Barristers Hall, Boston, Massachusetts, reading as follows:

"This is with reference to your letter of January 10, 1945, asking two questions concerning the application of the Board's Regulation T to certain transactions in 'when-issued' or unissued securities. This letter was referred to in your telegram of January 19.

"Since the answers to these questions are somewhat complex and may require further communication with you, we have referred your letter to the Federal Reserve Bank of Boston which handles Regulation T matters in your area. You should hear from that Bank shortly."

Approved unanimously, together with the following letter to Mr. McRae, Chief Examiner at the Federal Reserve Bank of Boston:

"Enclosed is a copy of a letter dated January 10, 1945, from Morris Goldman, asking two questions concerning the application of the Board's Regulation T to certain transactions in 'when-issued' or unissued securities. We should appreciate it if you would reply to Mr. Goldman's letter. The following paragraphs contain material which you may wish to use in your reply.

"The first question is whether a rise in the value of unlisted securities, a contract for the purchase of which is held in the account, will provide margin for the purchase of additional securities. The answer to this question is that it will, provided the contract is the only item in the account or, in case there are other items, provided the additional value is not absorbed by other pre-existing or subsequent margin deficiencies.

"If, for example, 100 shares of an unissued stock are contracted for at \$50 per share, a margin of \$2,000 would be required at present maximum loan values of 60

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"per cent (sections 3(d)(4) and 3(h)). This \$2,000 would be credited to the account. The market then rises to \$60 per share. The margin required would rise to \$2,400 but this figure would be reduced to \$1,400 by the application of the unrealized gain of \$1,000. Since the credit balance is \$2,000 or \$600 in excess of the \$1,400 required, the \$600 may be used as the basis for additional purchases.

"The second question is whether the margin originally deposited must be retained by the broker after another contract is entered into for the sale of the unissued securities at a higher price than that at which they were purchased. The answer to this question is that the margin originally deposited may be withdrawn by the customer, provided the two contracts are the only items in the account or, in case there are other items, provided there is compliance with the second paragraph of section 3(b). The unrealized gain may not be withdrawn until the contracts are settled and then only if the conditions of the paragraph mentioned in the previous sentence are met.

"If, for example, in the case cited, the 50 shares were sold at \$60 per share, margin would no longer be required since the net commitment would be zero, and the withdrawal of \$2,000 would be permissible. The gain of \$1,000, however, being unrealized, could not be withdrawn.

"As the handling of this inquiry has been delayed in this office and as we have received a telegram from Mr. Goldman asking about it, we would like to have a reply expedited as much as possible."

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

"For your information there is enclosed a copy of a telegram dated January 17, 1945, received from the Los Angeles Branch of the Federal Reserve Bank of San Francisco, inquiring as to whether the Services have approved a provision for inclusion in Exhibit D of the termination loan agreement, which in effect would give the financing institution a veto power over the sale or retention of termination inventory.

"There is also enclosed a copy of a memorandum received from the Navy Department, dated January 19, 1945,

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"signed by Commander Donald P. Welles, Chief of Finance Division, in reply thereto.

"Lieutenant Commander Griffith of the Maritime Commission has advised us that the Commission also concurs in the views expressed in Commander Welles' memorandum."

Approved unanimously.

Thereupon the meeting adjourned.

Orestes Morice
Secretary.

Approved:

Donald P. Welles
Chairman.