

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 14, 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. Thurston, 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 March 13, 1945, were approved unanimously.

Memorandum dated March 13, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Albert R. Price as a laborer in that Division, effective as of the close of business on March 12, 1945, and recommending that the resignation be accepted as of that date, with the understanding that appropriate deduction will be made from his salary for overdrawn annual leave of 4 hours and 30 minutes.

The resignation was accepted as recommended.

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

3/14/45

-2-

"In accordance with the request contained in your letter of March 9, 1945, the Board approves the designation of Mrs. Rose De Mucci, Miss Mary E. Leonetti and Miss Audrey J. Supancic as special assistant examiners for the Federal Reserve Bank of Philadelphia."

Approved unanimously.

Letter to Mr. Stewart, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of February 27, 1945, requesting the Board's approval of a supplemental payment to the retirement System in the case of Adolph E. Schleyer.

"Due to the exceptional circumstances in this particular case the Board will offer no objection to the payment of an amount which will increase Mr. Schleyer's pension on a cash refund basis to equal the pension he would receive were he age 65, reduced by 2-1/2 per cent for each year he lacks of being age 65, the formula set forth in the Board's letter dated March 17, 1944 (S-741)."

Approved unanimously.

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

"This refers to Mr. Diercks' letter of February 19, 1945, with regard to the application of 'The Ladoga State Bank', Ladoga, Indiana, for permission to exercise fiduciary powers.

"In view of the information submitted, and in accordance with Mr. Diercks' recommendation, the Board of Governors of the Federal Reserve System grants the applicant bank permission, under the provisions of its condition of membership numbered 1, to act as trustee, executor, administrator and guardian of estates. The Board's approval is given subject to acceptance by the bank of the following standard conditions prescribed in connection with the admission to membership of State banks exercising fiduciary powers:

-3-

3/14/45

- "1. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
- "2. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
- "3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"Since it is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 3 herein until further notice.

"You are requested to advise The Ladoga State Bank, Ladoga, Indiana, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting the conditions listed above and forward a certified copy thereof to the Board."

Approved unanimously.

It was reported that in accordance with the procedure agreed upon at the meeting of the Board on March 13, 1945, Samuel Morgan, as President of the Safeway Finance Plan, Inc., and the Local Finance Company of St. Louis had executed the voluntary agreement to close their offices from March 19 to March 23, inclusive, and that the form of

-4-

3/14/45

order to be issued by the Board suspending the licenses of the two registrants had been agreed upon by telephone with the Federal Reserve Bank of St. Louis and was ready for issuance by the Board.

Thereupon, the issuance of the following order was approved by unanimous vote:

"THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, DISTRICT OF COLUMBIA

Regulation W - In Relation to

Safeway Finance Plan, Incorporated	St. Louis	Missouri
Local Finance Company	St. Louis	Missouri

ORDER SUSPENDING LICENSE

"Samuel Morgan, President of the Safeway Finance Plan, Inc., and the Local Finance Company, St. Louis, Missouri, having appeared in connection with alleged violations of Regulation W of the Board of Governors of the Federal Reserve System (hereinafter called the 'Board'), and having waived notice and opportunity for hearing before the Board and consented to the issuance of this Order for the suspension of their licenses, and having agreed that:

1. Safeway Finance Plan, Inc., and the Local Finance Company were at all times mentioned herein and now are engaged in the business of extending loan credit through the various offices which are operated under the following trade names in the following places:

Safeway Finance Plan, Inc. 5899 Easton Avenue	St. Louis	Missouri
Safeway Finance Plan, Inc. 3500 North Grand	St. Louis	Missouri
Safeway Finance Plan, Inc. 3626 Washington Avenue	St. Louis	Missouri
Local Finance Company 5899 Easton Avenue	St. Louis	Missouri
Local Finance Company 3500 North Grand	St. Louis	Missouri
Local Finance Company 3626 Washington Avenue	St. Louis	Missouri

2. Safeway Finance Plan, Inc., and the Local Finance Company duly filed the Registration Statements required by the Board's Regulation W and were at all times mentioned herein

-5-

"and now are subject to such Regulation;

3. Safeway Finance Plan, Inc., and the Local Finance Company pursued a course of dealing in contravention of Regulation W and negligently failed to comply with same. Such negligent violations include (a) Statements of Borrower incomplete; not obtained; inaccurate, (b) Statements of Necessity incomplete; improperly used, (c) maximum credit value of listed articles exceeded in the making of loans, the proceeds of which were used to purchase such listed articles, (d) granting of longer terms than permissible on instalment obligations, (e) violations of Section 11(a), 11(b), and 11(c).

"The said Samuel Morgan, President of the Safeway Finance Plan, Inc., and the Local Finance Company, having further agreed that during the period of suspension of the licenses of the Safeway Finance Plan, Inc., and the Local Finance Company, under this Order, he will close all of the aforesaid offices and discontinue all business except that of receiving payments on existing loans; that upon resumption of business following the termination of this suspension period, he will conform the business of the Safeway Finance Plan, Inc., and the Local Finance Company, to the requirements of the Regulation; and that the companies will not in any manner in their future solicitations for business indicate or imply that they will grant terms which would be in contravention of the Regulation.

"Accordingly, the Board having considered the consent, representations, and agreements of the party named, and under authority of section 5(b) of the Act of October 6, 1917, as amended, and the Executive Order of the President No. 8843, hereby orders:

1. That the licenses of the said Safeway Finance Plan, Inc., and the Local Finance Company, issued pursuant to the Board's Regulation W be and the same are hereby suspended for the period commencing at the close of business March 17, 1945, and ending at the opening of business March 24, 1945, unless said period is sooner terminated by the Board: Provided,

-6-

"that this Order, during the suspension period, shall not prohibit (a) the carrying on of regular office and accounting work, (b) the receipt of any payments through the mails or through the normal and usual collection facilities, and (c) the making of payments of any obligations, including obligations to employees for salaries or wages.

2. Any terms used in this Order that are defined in Regulation W shall have the meaning therein given them.

"By order of the Board of Governors of the Federal Reserve System this 14th day of March, 1945.

(SEAL)

(Signed) Chester Morrill
Secretary

"I, the undersigned, Samuel Morgan, President of the Safeway Finance Plan, Inc., and the Local Finance Company do hereby confirm the agreements and representations set out in the aforesaid order and consent to its issuance."

(Signed) Samuel Morgan"

In connection with the above action, approval was also given to the following telegram to Dale M. Lewis, Manager, Consumer Credit Department, Federal Reserve Bank of St. Louis:

"Order being issued by Board today in form which you telephoned us suspending from March 19 to March 23 inclusive licenses of Safeway Finance Plan, Incorporated, and Local Finance Company. Press statement in form enclosed with your letter of March 7 will be given out about 10 o'clock EWT tomorrow morning for immediate release. You are at liberty to give press statement such local publicity as you deem desirable. Copy of press statement being wired to Presidents of all other Federal Reserve Banks with statement that they are at liberty to give it such publicity in their districts as appears to them to be desirable. Please forward to Board for its files original order, agreement and press statement on which Samuel Morgan has endorsed his consent."

The press statement referred to in the telegram was in the following form:

3/14/45

-7-

"The Board of Governors of the Federal Reserve System has suspended from March 19, 1945, to March 23, 1945, both dates inclusive, the licenses under the Board's Regulation W, of the Safeway Finance Plan, Incorporated and the Local Finance Company, located at 5899 Easton Avenue, and their branches at 3500 North Grand and 3626 Washington, St. Louis, Missouri.

"The Board, acting under authority of Section 5(b) of the Act of October 6, 1917, and the President's Executive Order No. 8843, ordered the suspension of the licenses because of failure to comply with the provisions of Regulation W, with respect to loan credits. All of the terms of the order were agreed to by the registrants, who have given their assurance that they will hereafter comply with all of the provisions of the Regulation.

"The violations included two of a general nature:

(1) Statements of Borrower incomplete; not obtained; inaccurate.

(2) Statements of Necessity incomplete; improperly used.

"Specific violations included:

(3) Maximum credit value of listed articles exceeded in the making of loans, the proceeds of which were used to purchase such listed articles.

(4) Granting of longer terms than permissible on instalment obligations.

(5) Violations of Section 11(a), 11(b) and 11(c).

"Under the order, the several offices will be closed during the period of suspension, except for the purpose of accepting payments on existing obligations. The offices are to be posted to this effect. The terms of the order do not prevent payment of obligations owed by the Safeway Finance Plan, Incorporated, and the Local Finance Company, including salaries and wages to employees."

Memorandum dated March 7, 1945, from Mr. Dreibelbis, General Attorney, submitting a letter dated February 28, 1945, from the firm of Robertson, Leachman, Payne, Gardere & Lancaster with which was enclosed their statement for \$8,000 on account of legal services rendered in connection with the Transamerica Corporation matter, covering the period from June 1, 1944, to March 1, 1945, and for \$366.09

-8-

3/14/45

for itemized expenses, and recommending, in accordance with the procedure approved by the Board on August 3 and September 1, 1943, that the payment of the bill be approved.

Approved unanimously.

Letter to Mr. Joseph J. O'Connell, General Counsel, Treasury Department, reading as follows:

"There is enclosed herewith a letter dated March 9, 1945, addressed to you by Mr. Logan, Vice President and General Counsel of the Federal Reserve Bank of New York, together with its enclosure, regarding the issuance by the Department of State of certifications under section 25(b) of the Federal Reserve Act which relate to property which might be received in an account after the date such certifications are issued.

"The Board of Governors joins in the request that the matter be presented by the Treasury Department to the Department of State, as indicated in the enclosed letter. You may advise the Department of State that the Legal Division of the Board of Governors concurs in the opinion expressed in the memorandum of law prepared by Counsel of the Federal Reserve Bank of New York which is enclosed herewith."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.