

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 29, 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. Hammond, Assistant Secretary
Mr. Thurston, Assistant to the Chairman
Mr. Parry, Director of the Division of Security Loans
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Attorney
Mr. Brown, Assistant Director of the Division of Security Loans
Mr. Wyatt, General Counsel

Mr. Draper referred to the adoption by Congress of the Federal Employees Pay Act of 1945 which, among other things, would increase the basic salaries of most employees of the Federal Government, and stated that, on the assumption that the Board would wish to continue the existing policy of general compliance with salary policies of the Government, it would be his suggestion that a meeting of the Board be held as promptly as possible to consider what action it should take as a result of the approval of the bill which it was expected would be signed by the President not later than July 1, 1945. All of the members of the Board were in agreement that, while it appeared that the bill did not technically apply to the Board's staff, the Board should take such action as was necessary to adjust the salaries of its employees in general conformity

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with the new law, and that for that purpose a meeting should be held on Monday, July 2, 1945, at 10:30 a.m.

There were presented telegrams to Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. Blair, Assistant Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of Chicago on June 25, by the Federal Reserve Banks of St. Louis and San Francisco on June 26, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and Dallas on June 28, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

In accordance with the decision reached at the meeting on June 27, 1945, consideration was then given to what, if any, action the Board should take to increase the margin requirements prescribed

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under Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. Following a summary review by Mr. Parry of trends and conditions in the securities market since the matter was last considered by the Board, Mr. Draper referred to the program which had been under discussion with Mr. Davis, Director of Economic Stabilization, and Mr. Vinson, Director of War Mobilization and Reconversion, and others to combat inflation through regulation of the use of credit for the purchase of real estate, expansion of the excess profits tax base, and an increase in the margin requirements prescribed by the Board under Regulations T and U, and raised the question what, if any, obligation the Board had in these circumstances for action on margin requirements pending a decision by the President as to whether the program would be adopted.

Chairman Eccles suggested that it was the responsibility of the Board to take action whenever in its opinion the situation justified it, and that it would be his suggestion that the Board determine what action appeared to be called for and advise Messrs. Davis and Vinson informally that the Board proposed to take such action in the absence of objection from them.

After some further discussion, Messrs. Hammond, Brown, Vest, Thomas, and Wyatt withdrew from the meeting.

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Mr. McKee stated that it seemed likely that a news reporter had been informed that the Board was to meet today to act on margin requirements, to become effective on Monday, July 2, and that the standing of the reporter and the apparent authenticity of his statement was such as to result in wide credence being given to it.

In the discussion which ensued, there was unanimous agreement that the source of the rumor was somewhere other than the Board or its staff and that it might have emanated from someone elsewhere who had seen the letters which Chairman Eccles addressed to Mr. Davis and Mr. Vinson on June 26. In this connection Chairman Eccles observed that, during the period of his service on the Board, whenever only the members of the Board or its staff were acquainted with discussions or proposed actions of the Board, there had never been a "leak" of that information to the public, and that whenever a "leak" had occurred it was traceable to others not connected with the Board with whom the matter had been discussed officially.

In view of the rumor, Mr. McKee questioned the advisability of the Board taking any action today on margin requirements that would become effective on Monday, July 2.

There was a discussion of the question of how soon as a practical matter any action that might be taken by the Board should become effective after announcement, and Mr. Parry stated that it was proposed that, whenever the change was made in the prescribed margin requirements,

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Regulations T and U be amended to include the so-called "turn-over limitation" which would provide that whenever a security is sold in an undermargined account only that portion of the proceeds of the sale could be used to purchase new securities that was not needed to fully margin on a current basis the remaining securities in the account. In view of this amendment, it was Mr. Parry's feeling that any action taken by the Board should be announced following the close of the market on one day to become effective the following business day, and that the best arrangement would be to announce the action after the close of the market on a Saturday or on a day before a holiday, to become effective the next business day, in order to avoid the sale of securities in undermargined accounts for the purpose of evading the restriction that would be applied by the proposed amendment.

There was a discussion of the question whether this amendment should be made effective at the same time as an increase in margin requirements, and the conclusion was that it should be.

There was a discussion of the level to which margin requirements might be increased, and in response to an inquiry Mr. Parry stated that, while for reasons which he outlined, he would prefer an increase to $66\frac{2}{3}$ per cent rather than 75 per cent, there did not appear to be any important reasons that would compel the fixing of the lower percentage.

Mr. McKee indicated that he questioned the desirability of taking any action at this time and felt that an increase to 75 per

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cent might be so large as to involve the possibility of a downward adjustment later on.

It was informally agreed that Chairman Eccles would get in touch with Messrs. Davis and Vinson and advise them that in the absence of objection from them the Board was prepared to take action within the next week to increase existing margin requirements to some percentage less than 100 per cent, and that at the time this action was taken Regulations T and U would be amended to incorporate therein the "turn-over limitation" referred to above and certain other technical changes to simplify and make more effective the supporting rules.

At this point Mr. Parry 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 June 28, 1945, were approved unanimously.

Memorandum dated June 23, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Miss Afton Romney be appointed as a stenographer in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,800 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory develops in the investigation of her references her services

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may be discontinued. The memorandum stated that since Miss Romney was a member of the Civil Service Retirement System, she would not become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated June 29, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Eugene Gomberg, a Research Assistant in that Division, effective as of the close of business June 29, 1945, and recommending that the resignation be accepted as of that date with the understanding that a lump sum payment will be made for the accumulated and accrued annual leave remaining to his credit at that time.

The resignation was accepted as recommended.

Letter to Mr. Rice, Vice President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York as submitted with your letter of June 22, 1945."

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Koppang's letter of June 22, 1945, the Board of Governors approves the payment of salary to Mr. Kenneth Self as Alternate Assistant Federal Reserve Agent at the rate of \$3,276 per annum, effective July 1, 1945.

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"Since Mr. Robb's salary has been specifically approved at the rate of \$6,600 per annum effective June 1, 1945, further action by the Board of Governors at this time is not necessary."

Approved unanimously.

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

"Reference is made to your letter of June 20, 1945, submitting the request of the Industrial Trust Company, Providence, Rhode Island, for approval of an additional investment of \$70,000 in banking premises for the purpose of purchasing and improving the property now occupied by its Atwells Avenue branch.

"In accordance with your recommendation, the Board approves the additional investment of \$70,000 in banking premises by the Industrial Trust Company."

Approved unanimously.

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

"Since the conference on check routing symbols held in Chicago on April 9 and 10, 1945, consideration has been given to the best way of keeping Rand McNally and Company, Chicago, advised of assignments of and changes in routing symbols. After consultation with members of the Committee on Collections and representatives of the American Bankers Association, it has been concluded that it will be best, at least for the time being, for the Federal Reserve Banks to notify Rand McNally direct of assignments of and changes in check routing symbols. It is understood that Rand McNally is frequently requested by organizers of new banks and branches to supply ABA transit numbers immediately so that they may be shown on checks about to be ordered, and it is reasonable to assume that the management of new banks and branches, and of existing banks and branches added to the Par List, will promptly ask Rand McNally for routing symbols. Accordingly, it will be appreciated if the following procedure is observed after the forthcoming basic

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"Key to Numerical System', which will include the check routing symbols, is issued:

"1. Notify Rand McNally and Company (attention of Mr. Howard Wintrol), Chicago, Illinois, by letter, of each new assignment of a check routing symbol. This advice should indicate whether the bank or branch is newly organized or reorganized (giving the predecessor in the latter case), or is an existing bank or branch added to the Federal Reserve Par List.

"2. Give corresponding advice of each cancellation of an assignment due to the withdrawal of a bank or branch from the Federal Reserve Par List.

"3. Furnish the Board of Governors, Division of Bank Operations, with a copy of each advice given to Rand McNally with regard to assignments of check routing symbols or cancellations thereof, whether on the initiative of the Federal Reserve Bank or in response to a specific inquiry by Rand McNally.

"In order that Rand McNally and the Board may be sure that all notices are received, it is suggested that they carry serial numbers, beginning with Number 1 in each Federal Reserve District. A single series for both assignments and cancellations will be sufficient. It is also suggested that notices of all assignments and cancellations in the District, whether in head office or branch zones, be sent to Rand McNally by the head office of the Federal Reserve Bank.

"It will be observed that no advice need be given by the Federal Reserve Banks to Rand McNally of the organization of new nonpar banks or branches, nor of the liquidation, merger, discontinuance, etc., of a bank or branch. Rand McNally will be advised to contact the respective Federal Reserve Banks direct for any information regarding the assignment of check routing symbols, or the cancellation thereof.

"It is assumed, of course, that each Federal Reserve Bank will make a complete and careful check of the check routing symbols shown in the revised basic 'Key', as soon as copies thereof become available, and will notify Rand McNally promptly of any errors or omissions. It will be appreciated if copies of these notices also are sent to the Board."

Approved unanimously, together with
a letter to Mr. Melvin C. Miller, Secretary,
Bank Management Commission, The

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American Bankers Association, New York,
New York, reading as follows:

"There are enclosed two copies of a letter sent by the Board today to the presidents of all Federal Reserve Banks, outlining the procedure to be followed in advising Rand McNally of assignments of and changes in check routing symbols. It will be appreciated if you will send one copy to Rand McNally, and if you will ask them to contact the Federal Reserve Banks direct after the revised 'Key to Numerical System' is issued, for any information desired on check routing symbols in their respective Federal Reserve districts."

Letter to Mrs. Valerie R. Frank, Secretary of the Retirement Committee, Retirement System of the Federal Reserve Banks, Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the changes in Sections 1, 3, and 6 of the Rules and Regulations of the Retirement System of the Federal Reserve Banks which were adopted by the Board of Trustees of the Retirement System at its annual meeting on June 22, 1945, as set forth in your letter of that date.

"This approval, however, is given with the understanding that the change in Section 3 permitting the beneficiary of a deceased member the option of requesting payment of a life annuity does not affect beneficiaries of participants in the Board Plan.

"Copies of this letter are being sent to Mr. Chester C. Davis, Chairman of the Board of Trustees, and to Mr. L. R. Rounds, Chairman of the Retirement Committee."

Approved unanimously.

Letter prepared for the signature of Mr. Townsend, Assistant General Attorney, to Mr. Berge, Assistant Attorney General, Department of Justice, reading as follows:

"In accordance with the request contained in your letter of June 26, 1945, the Board of Governors has

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"authorized me to send you photostatic copies of the statements of condition, as of December 30, 1944, of the First Trust and Savings Bank of Pasadena, Bank of Newman, and Peoples Bank of Lakewood Village.

"This is also to advise you that the total of the deposits of individuals, partnerships and corporations by counties (Stanislaus and Merced), as of December 30, 1944, for the Bank of Newman is as follows:

Demand deposits of individuals, partnerships, and corporations:	
Stanislaus County	\$2,452,100.26
Merced County	<u>633,511.38</u>
Total	3,085,611.64

Time deposits of individuals, partnerships, and corporations:	
Stanislaus County	\$2,107,616.16
Merced County	<u>6,150.57</u>
Total	2,113,766.73

"It is understood that you intend to use this information only as a lead to obtain evidence from other sources rather than as evidence itself and that it will be treated as strictly confidential."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mariep
Secretary.

Approved:

W. Steeles

Chairman.