

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 20, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Connell, General Assistant,  
Office of the 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:

Telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. McCreedy, Assistant Vice President and Secretary of the Federal Reserve Bank of Philadelphia, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, 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 San Francisco on July 17, by the Federal Reserve Bank of Atlanta on July 18, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on July 19, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 18, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation

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of Mrs. Violet Herrmann, cafeteria helper, be accepted effective at the close of business July 15, 1945.

The resignation was accepted as recommended.

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

"This refers to your letter of July 14, 1945, advising that the board of directors of your bank has authorized the establishment of discount committees at the Cincinnati and Pittsburgh branches and has granted power to such committees at such branches to authorize loans and advances under sections 13 and 13(a) of the Federal Reserve Act to member banks in their respective territories subject to such rules, regulations and limitations as may be adopted by the discount committee at the main office. We also note that applications for loans under section 10(b) are to be handled at the branches in the same manner as those under sections 13 and 13(a) except that there shall be approval of such loans by the discount committee at the main office prior to the making of any commitment or disbursement thereof.

"The Board approves of this action taken by the board of directors of your bank."

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plans of the Cincinnati and Pittsburgh Branches, involving the establishment of the position of Federal Reserve Agent's Representative at each Branch, as requested in your letter of March 14, 1945.

"As indicated in the Board's letter of July 17, 1945, the maximum annual salaries under the personnel classification plans for such positions have been eliminated. Accordingly, the appropriate changes have been made on the Form A pages submitted with your letter and it is requested that the maximum annual salaries be cancelled also on your copies of those pages."

Approved unanimously.

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Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors approves payment of salary to Mr. George M. Snellings, Jr., as Counsel of the Federal Reserve Bank of Dallas at the rate of \$9,000 per annum for the period ending May 31, 1946, which is the rate fixed by the directors, as reported in your letter of July 14, 1945.

"Please advise us as to the date the appointment becomes effective."

Approved unanimously.

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

"Reference is made to your letter of July 11, 1945, submitting for the consideration of the Board, under the provisions of an applicable condition of membership, the proposal of The Oystermen's Bank and Trust Company, Sayville, New York, to purchase for \$23,750 a site for a new bank building and to erect on the plot after the war a new building at an estimated cost of from \$75,000 to \$100,000.

"It is understood that the quarters presently occupied by the member bank are inadequate and the bank is unable to acquire room for expansion at the present site but anticipates no difficulty in disposing of the property for an amount at least equal to the present carrying value of approximately \$26,000.

"In view of the generally satisfactory asset condition of the bank, the Board, in accordance with your recommendation, will interpose no objection to the purchase of the property as proposed and the proposed further investment in a suitable building provided the total investment in bank premises, including the premises now occupied if not sold, does not exceed \$150,000 which is the par value of the bank's common capital stock."

Approved unanimously.

Letters to "Farmers Bank & Trust Company of Indiana, Pa.," Indiana, Pennsylvania, "The Savings & Trust Company of Indiana," Indiana, Pennsylvania, and the "Mazon State Bank," Mazon, Illinois, reading as follows:

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"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter prepared for Mr. Vest's signature to Mr. James L. Dougherty, Assistant General Counsel, Reconstruction Finance Corporation, reading as follows:

"This refers to your letter of July 17, 1945, and to the discussions which have been had regarding the proposal to introduce in evidence in the case of RFC v. Rudolf Hecht et al., on behalf of the RFC, certain information contained in the report of examination of the Hibernia Bank and Trust Company, New Orleans, Louisiana, made as of May 21, 1932.

"In accordance with the understanding reached, I enclose herewith a certificate of the Secretary of the Board as to certain entries in Schedules A and G of the report of examination above mentioned. I believe that this certification conforms to the provisions of Rule 44(a) of the Federal Rules of Civil Procedure."

Approved unanimously.

Telegram reading as follows, to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, replying to his inquiry of July 17, 1945, whether two directors of the Texas State Bank of Jacksonville, Texas, (which Bank is contemplating membership in the System) who have no official title and receive no salary but who are permanent members of the discount committee would be considered as executive officers under Regulation O:

"Relet seventeenth it is understood that directors mentioned are not also officers of the bank. In circumstances, such directors are not considered to be executive officers within the meaning of Section 22(g) and Regulation O merely because of their service on the discount committee."

Approved unanimously.

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

"This is in reply to your letter of July 13, 1945, enclosing a copy of a letter received by you from Mr. Wymond Cabell of Branch, Cabell & Co., Richmond, Virginia, relative to the recent amendments to Regulation T and Regulation U.

"While we can understand Mr. Cabell's point of view with respect to the withdrawal of a particular security previously purchased with a 75 per cent margin deposit, we have never considered that it was possible to differentiate between particular securities in an account so as to make the withdrawal rule different depending upon the conditions under which they were purchased. Changes in market values alone would create unmanageable problems. In many cases, furthermore, the withdrawal of the security upon the deposit of the remaining 25 per cent would leave the rest of the account even more undermargined than before.

"As to Mr. Cabell's suggestion that Regulation T permit withdrawals against the deposit in cash of the full market value of the security withdrawn, this matter is under study and his views will be given careful consideration. We need to know more about the circumstances in which customers would want to do this, particularly what the customers expect to accomplish and how often cases would arise. If Mr. Cabell could give us some information along this line it would be much appreciated."

Approved unanimously.

Telegrams to the Presidents of all Federal Reserve Banks and to the Officers in Charge of Branches, reading as follows:

"The Board today has given to the press for immediate release the following statement and text of decree of the District Court of the United States for the Eastern District of Michigan, Southern Division, restraining Consumers Home Equipment Co. of Detroit, Michigan, from violations of Regulation W. It is urged that you give statement and decree all possible local publicity. This telegram is being sent to Presidents of all Federal Reserve Banks and to officers in charge of all Branches. Please send us copies of all local items appearing in press on this matter:

"A decree restraining Consumers Home Equipment Co. and A. B. Chereton, its President, from violations of Regulation W of the Board of Governors of the Federal Reserve System was entered today by Judge Ernest A. O'Brien in the District

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"Court of the United States for the Eastern District of Michigan, Southern Division. The matter was presented to the Court by U. S. Attorney, John C. Lehr.

"The Consumers Home Equipment organization, which has its head office at Detroit, Michigan, and offices in Illinois, Indiana, Kentucky, Michigan, New York, Ohio, and Pennsylvania, and affiliates with offices in Maine, Massachusetts, New Hampshire, Rhode Island, and West Virginia, is engaged in the house to house sale of household merchandise on an instalment basis. The company has been charged with violating the regulation in a number of instances by making sales without obtaining the down payment required, by failing to furnish statements of transactions to customers, and by not only failing to maintain records but attempting to conceal violations by manipulation and alteration of its records.

"The effect of the decree, to which the defendants consented, is to render the defendants liable for punishment for contempt of court in the event they are found in the future to have violated the regulation in any of the respects described in the decree.

"The text of the decree is in part as follows:

"NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED

"That the defendants, Consumers Home Equipment Co. and A. B. Chereton, and their agents, servants, representatives, employees and persons in active concert and participation with them, and any and all companies and persons under their control, respectively, be and they are hereby permanently enjoined, in the installment sale of merchandise, from:

"1. Making installment sales subject to the requirements of Regulation W of the Board of Governors of the Federal Reserve System without obtaining the cash down payment required by Section 4(a) of said Regulation.

"2. Making installment sales subject to the requirements of Regulation W of the Board of Governors of the Federal Reserve System without furnishing the obligors the statement of transaction required by Section 4(d) of said Regulation.

"3. Making installment sales subject to the requirements of Regulation W of the Board of Governors of the Federal Reserve System without maintaining and preserving, for the life of the obligation to which they relate, such books of account, records and other papers as are relevant to establishing whether or not an extension of credit within the scope of said Regulation was in conformity with the requirements thereof, as required by Section 12(h) of said Regulation.

"Dated this 20th day of July, 1945."

Approved unanimously.

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

"This is with further reference to your letter of June 19, 1945, relative to a request of Mr. L. Shirley Tark, President of the Main State Bank, Chicago, for a change in Regulation W. The Board has considered problems of a similar nature on several occasions since the regulation became effective and has concluded that it was inadvisable to make special exemptions for regular passenger automobiles to be used for business purposes. One of the principal reasons for this decision is that a considerable number of regular passenger automobiles are employed by business concerns and liberal credit terms for these concerns would add just as much to the pressure against price ceilings for automobiles, which are consumers' goods, as would liberal credit for private individuals.

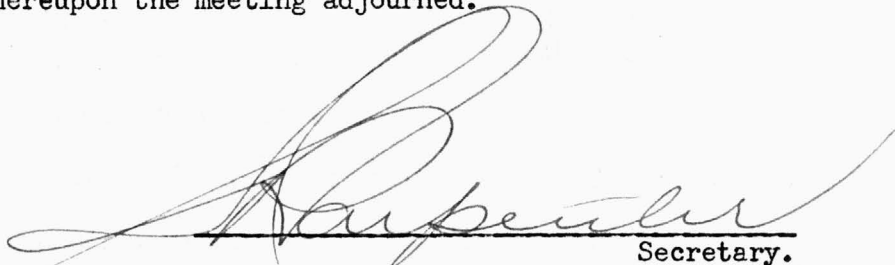
"Furthermore, a large proportion of the passenger automobiles are used to some extent for business purposes, and as a practical matter it is impossible to draw a line between those cases where some special treatment might be called for and those where it would not. As a matter of fact, no cases have been called to our attention in which the application of the regulation as it stands at present would cause serious difficulties.

"In view of present conditions, there appears to be no reason for the Board to change its decision at this time.

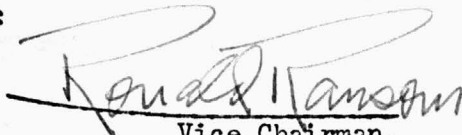
"We would appreciate it if you would inform Mr. Tark of the Board's views with reference to his request."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Vice Chairman.