

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 23, 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:

Memorandum dated July 18, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the basic annual salary of each of the following employees in that Division be increased, as shown below, effective at the beginning of the next pay roll period, July 29, 1945:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Raymond C. Twomey	Supervisor, Duplicating and Mails Section	\$2,980	\$3,090
M. P. Flagg	Telegraph Operator	2,650	2,760
Leone Klaprat	Telegraph Operator	2,166	2,232
Thomas R. Deakins	Guard	1,902	1,968
Robert Carter	Laborer	1,572	1,638
Grace Thorne	Charwoman	1,440	1,506

Approved unanimously.

Letter to the board of directors of the "Wisconsin State Bank of Milwaukee, Wisconsin", Milwaukee, Wisconsin, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application

7/23/45

-2-

for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to "Princeton Bank & Trust Company," Princeton, West Virginia, reading as follows:

"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 dated July 21, 1945, to the Presidents of all Federal Reserve Banks, reading as follows:

"There is enclosed a copy of a memorandum, dated July 17, 1945, received from the Navy Department, signed by Commander Donald P. Welles, Chief of Finance Division, in reply to a letter received by the Board from the Federal Reserve Bank of New York, raising certain questions with respect to the administration of T loans to financially weak contractors where there is a violation, prior to any borrowing, of the minimum working capital requirement.

"The War Department and the United States Maritime Commission have concurred in the conclusions set forth in Commander Welles' memorandum."

Approved unanimously.

Letter to Messrs. Moore, Leonard & Lynch, Pittsburgh, Pennsylvania, reading as follows:

"This is in reply to your letter of July 18.

"The condition to which you refer, that some margin customers whose accounts are undermargined by the new standard will be opening fully-margined accounts with another broker, is one of which the Board was aware before it adopted the

7/23/45

-3-

"new rules. This consequence, although it was not considered desirable in itself, was held to be outweighed by other consequences of the new rules. It is believed in addition that the business that one broker may lose to others will in many cases be offset by business that he will gain from them. It should be noted also that the present rules may fairly be considered moderate, by comparison for example with rules which would have required all undermargined accounts to be margined up forthwith to the new standard. To take this latter action was not considered to be advisable at the present time.

"If you have further questions relative to the Board's Regulation T, you may find it convenient to take them up with the Pittsburgh Branch of the Federal Reserve Bank of Cleveland which has charge of the administration of this regulation in your territory."

Approved unanimously.

Letter to Mr. William H. Rich, Jackson Heights, New York, reading as follows:

"This is in reply to your letter of July 10, 1945, relative to the recent change in the Board's Regulation U dealing with loans for purchasing or carrying stock exchange securities. In consequence of this change, as you have been informed by your bank, no collateral may be withdrawn from an undermargined loan unless the loan is reduced by an amount equal to the full market value of the collateral withdrawn or else is reduced by an amount which brings the loan down to a level of not more than 25 per cent of the remaining collateral.

"Objections to this requirement, such as those presented in your letter, can be fairly considered only in connection with the purposes of the requirement. It is intended to restrict continued trading with an undermargined position, by preventing a customer from entering buying and selling orders with a broker and then substituting the security purchased for the security sold. It also insures that any change in the collateral for the loan will be in the direction of bringing the loan nearer to the new standard. It consequently operates to restrain speculation on credit.

"It should be noted also that the requirement is relatively moderate, as compared for example with a rule which would require that all existing regulated loans, as well as all margin accounts, should be brought up to the new standard forthwith. Although this would have been an additional factor in curtailing the use of credit in the stock market, it was

7/23/45

-4-

"decided not to take such an action at that time. The Board did, however, feel that it could not permit funds from the liquidation of collateral to be available to the borrower for any purpose while his stock market loan remains deficient in collateral. To have permitted this would have given previous borrowers an unjustified advantage over new borrowers.

"In case you have further questions with reference to the effect of the recent amendment, you may find it convenient to communicate with the Federal Reserve Bank of New York which is in charge of the administration of Regulation U in your district."

Approved unanimously.

Letter dated July 21, 1945, to the Presidents of all the Federal Reserve Banks, reading as follows:

"For your information and guidance there is enclosed a copy of a memorandum, dated July 18, 1945, received from the Navy Department, signed by Lieutenant Commander George W. Cook, Jr., Deputy Chief of Finance Division, requesting that certificates of deposit issued in connection with Regulation V loans after July 25, 1945, be made out to Lieutenant Commander A. L. Peterson."

Approved unanimously.

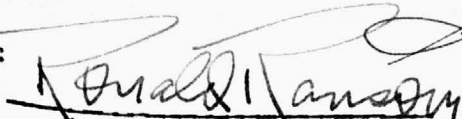
Telegram to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

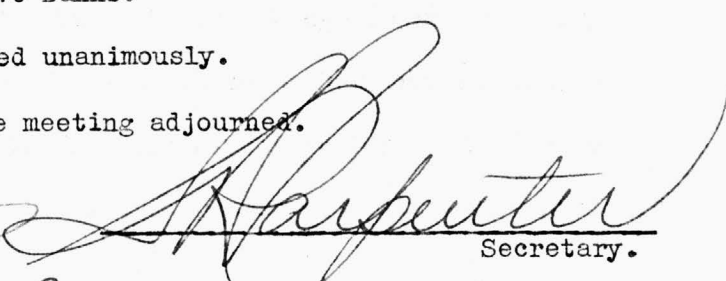
"In compliance with the request in your letter July 20, the Board approves the opening and maintaining a gold custody account on the books of your Bank for and in the name of Banco de Reservas de la Republica Dominicana subject to the usual terms and conditions upon which your Bank maintains such accounts for foreign central banks. It is also understood that you will in due course offer participation in this account to the other Federal Reserve Banks."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Vice Chairman.


Secretary.