A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 17, 1945, at 2:00 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Connell, General Assistant, Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, 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 October 16, 1945, were approved unanimously.

Memorandum dated October 4, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the salary of each of the following employees in that Division be increased, as indicated, effective as of the beginning of the first pay roll period following approval by the Board:

Name	Title	Salary Increase From	To
Frieda Baird	Economist	$5,705	$5,915
Katharyn P. Reil	Economist	3,640	3,860
Bonnie Beth Blake	Clerk	2,100	2,232
Nogah N. Slobins	Clerk	1,920	2,034

Approved unanimously, effective October 21, 1945.

Memorandum dated October 16, 1945, from Mr. Leonard, Director of the Division of Personnel Administration, submitting the resignation of Mrs. Florence M. Poundstone, Personnel Clerk in that Division, and recommending that the resignation be accepted effective as of the close of business October 15, 1945.

The resignation was accepted as recommended.

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

"Because of the unusual conditions brought about by the war, the Board has waived for the past two years the six-year rule limiting terms of directors of branches of Federal Reserve Banks.

"The Board has considered the situation with respect to appointments for terms beginning the first of next year and has decided not to renew the waiver in connection with such appointments.

"The following provisions of the Board's Regulations Relating to Branches of Federal Reserve Banks (Loose-Leaf Service #2719) will, therefore, apply to the appointments of all branch directors for the terms beginning January 1, 1946:

'(e) Directors with six or more years of continuous service.--No director, other than the Managing Director, shall be reappointed as a director if such reappointment is to become effective within a period of two years immediately following six or more years of continuous service at any branch having five directors or within a period of three years immediately following such service at any branch having seven directors.'"

Approved unanimously.

Letter to Mr. Joseph W. Walker, McKelvy & Company, Pittsburgh, Pennsylvania, reading as follows:

"Reference is made to your letter of September 21 to Governor McKee, acknowledged by him on September 26, in regard to the 75 per cent margin rules.

"We appreciate the spirit in which you write and understand why you feel that in cases such as you describe an undue hardship is involved. At the same time, we are impressed with the fact that the problem, viewed from the standpoint of anti-inflationary action, is not an altogether simple one. As you know, Congress placed on this Board a responsibility for fixing margin requirements and preventing the undue use of credit for stock market operations. Many people find it hard to justify in their own minds the use of any credit for stock purchases during wartime. The war is over but inflationary pressures are not. This is a most acute period in holding the line against inflation. The Board has felt that its responsibility under the law requires the 75 per cent margin rule.

"Incidental to that is the requirement which appears to you to be particularly onerous; that is, the inability of the customer having an undermargined account to switch from one stock to another without putting up additional margin. He naturally desires the same freedom of action as that available to a man who is not making use of any credit, or not using more than the 25 per cent permitted by the present rules. Again looking at this problem from the anti-inflationary standpoint, it is hard to justify the use of credit in these undermargined accounts over and over again for stock market operations. In addition, it is hard to see why, as a matter of equity, an old customer having an undermargined account should be able to buy stocks on credit without putting up as much margin as a new customer, even though he buys only at long intervals.

"It is true, as you say, that in a switch such as you describe the customer will not be using any more credit than before, but it does not seem to us to follow that the transaction is consequently of no inflationary significance. In the case cited, for example, it is clear that if the customer had been free to do so he would have bought a stock for which the demand was already strong with the consequence that his buying would have added to that demand and would have tended to accelerate the rise.

"At the same time, we are not unmindful of the fact that in some particular cases the present rules may work individual hardship. The problem, to which we are giving some careful study, is to find some way of making equitable provision for such cases without impairing the anti-inflationary effectiveness of the requirement."

Approved unanimously.

Reference was made to the action taken at the meeting of the Board on October 5, 1945, in connection with the Motor City Credit Jewelry Co., Inc., and the order for hearing issued at that time, and it was recommended that the order be amended so as to include a provision that J. Leonard Townsend, the officer of the Board designated to receive the testimony to be taken at such hearing, be authorized to administer oaths in connection with receiving such testimony.

Upon motion by Mr. Ransom, it was voted unanimously to amend the order accordingly, with the understanding that a copy of the amending order would be sent to the registrant by registered mail today:

"BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
Washington, D. C.

"Order Giving J. Leonard Townsend Authority to Administer Oaths and Issue Subpoenas.

"On October 5, 1945, the Board issued an Order for Hearing to determine whether the license of Motor City Credit Jewelry Co., Inc., Van Dyke, Michigan, under Regulation W should be revoked, and commissioned J. Leonard Townsend, of Washington, D. C., as an officer of the Board to receive the testimony taken at such Hearing and to report the same to the Board.

"The Board, deeming such action necessary and appropriate in the public interest, hereby amends its said Order for Hearing, as follows:

That said J. Leonard Townsend be and he is hereby authorized to administer oaths in connection with receiving testimony in the aforesaid Hearing.

"By Order of the Board of Governors of the Federal Reserve System made this 17th day of October, A. D. 1945."

(SEAL)

(Signed) S. R. Carpenter
Secretary,
Board of Governors
of the
Federal Reserve System"

Thereupon the meeting adjourned.

S R Carpenter
Secretary.

Approved: M S Eccles
Chairman.