

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 15, 1945, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
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 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 November 14, 1945, were approved unanimously.

Memorandum dated November 9, 1945, from Mr. Paulger, Director of the Division of Examinations, submitting the resignation of William B. Pollard, Assistant Director of that Division, and recommending that the resignation be accepted effective as of the close of business December 31, 1945, and that a lump sum payment be made for accumulated and accrued annual leave remaining to his credit at that time.

The resignation was accepted as recommended.

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

"The Board of Governors approves the payment of salary to Mr. R. L. Cherry as Cashier of the Charlotte

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"Branch for the period November 5, 1945, to May 31, 1946, inclusive, at the rate of \$6,500 per annum, which is the rate fixed by the Board of Directors as reported in your letter of November 8, 1945.

"It is noted from your letter that it is contemplated that Mr. Cherry will continue as Cashier until Mr. Ligon returns from military leave at which time Mr. Cherry will be made Assistant Manager."

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the request of the directors of your Bank, as submitted with your letter of November 10, 1945, that the Bank be authorized to exceed maximum annual salaries under the personnel classification plan of your Bank in individual cases by as much as 15% of the first \$3,000 of the maximum annual salary, provided that the total annual salary, including any such excess over the maximum annual salary under the personnel classification plan, shall not exceed \$7,500.

"In accordance with the discussions at the recent joint meeting of the Board with the Conference of Presidents this authorization is granted as a temporary measure to take care of individual cases in the postwar situation pending a comprehensive revision of the personnel classification plan."

Approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of Chicago, involving an increase in the maximum annual salary for the position of Window Washer, as submitted with your letter of November 8, 1945."

Approved unanimously.

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Letter to the "State Bank of Rock Island," Rock Island, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the national bank into which the State Bank of Rock Island, Rock Island, Illinois, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of the State Bank of Rock Island into a national banking association becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Chicago for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Letter to Senator A. W. Hawkes reading as follows:

"This is with reference to your letter of November 8, 1945, enclosing a letter from Mr. A. T. Koehler, 2 Montview Road, Summit, New Jersey. Mr. Koehler asks

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"about the authority for the Board's Regulation T which prescribes margin requirements for security transactions.

"The regulation was issued pursuant to the Securities Exchange Act of 1934. Enclosed is a copy of the regulation, and you will find the pertinent provisions of the law reproduced in the appendix.

"Mr. Koehler's letter is returned to you herewith."

Approved unanimously.

Letter to Mr. C. L. Harriss, Dayton, Ohio, reading as follows:

"This refers to your letter of November 2, 1945, concerning Regulation T. Your earlier letters were directed mainly at the restriction on shifting from one security to another. You are now emphasizing the withdrawal of funds in order to pay income taxes on capital gains due to transactions in securities. We understand that you did not make any specific provision for these taxes at the time of the transactions which gave rise to the capital gains.

"Our view is that, when collateral is sold, the proceeds are applicable to the outstanding indebtedness, and that any cash withdrawn by the customer is new borrowing against the remaining collateral. If this borrowing would leave the account undermargined, we do not believe it should be permitted under existing circumstances. To do so would be giving the customer with an old account an advantage over a new customer and would be out of step with the current program which is designed to reduce the volume of indebtedness.

"In view of the present status of the market, there seems to be no likelihood that the regulation will be changed in the near future to permit such transactions as you have in mind."

Approved unanimously.

Letter to Mr. Thomas J. Stewart, Jr., Maplewood, New Jersey, reading as follows:

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"We have studied your letter of November 5 and at the same time reviewed all your earlier letters, those of September 19, September 24, October 6, and October 8.

"They present a particular case in which the existing margin rules in Regulation U, if they are applicable to this case, appear to you to work a hardship. At the same time, and notwithstanding the details you have presented on the particular case, we cannot quite make out whether you believe that these rules are not legally applicable in this case, or whether you wish the Board to change the rules, or whether you request the Board to take some action that would make a special exception for the case in question.

"We suggest, therefore, that you take up the case in question with the Federal Reserve Bank of New York which is in charge of the administration of Regulation U in your territory, supplying them with whatever additional facts may be necessary in order to determine the status of this particular loan. The man to address or to ask for would be Mr. Norman P. Davis. It is only fair for us to add, however, that from the facts presented it would appear that the loan is in fact subject to Regulation U, which applies to any loan which is 'secured directly or indirectly by any stock' and is 'for the purpose of purchasing or carrying any stock registered on a national securities exchange.'

"If the loan is subject to Regulation U, it may still be possible that a part of the borrower's problem may be met by recent rulings of the Board which permit the borrower, in certain circumstances, to substitute one stock certificate for another or to take down securities against the deposit of cash. The Federal Reserve Bank of New York should be able to be of assistance in determining this matter also.

"Your latest letter makes reference to the last paragraph of our letter of October 5, in which it was stated that we were trying to find some method of making provision for hardship cases without impairing the anti-inflationary effectiveness of the present margin requirements. We have not in fact found any such method except as a certain amount of relief in particular cases may be afforded by the rulings referred to above."

Approved unanimously.

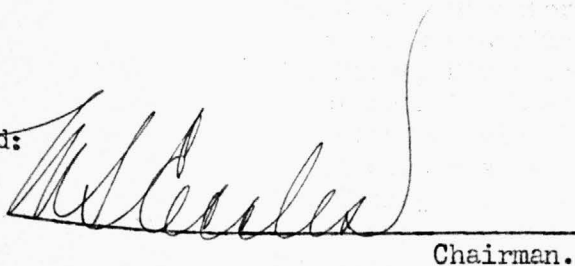
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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.