

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 11, 1946, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
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 February 8, 1946, were approved unanimously.

Memorandum dated February 4, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the salary of Mrs. Ruth Jones, an Administrative Clerk in that Division, be increased from \$2,980 to \$3,310 per annum, effective as of the beginning of the first payroll period following approval by the Board.

Approved unanimously, effective  
February 24, 1946.

Memorandum dated February 7, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Dorothy M. Stevens, a clerk-stenographer in that Division, and recommending that her resignation be accepted effective as

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of the close of February 9, 1946, and that a lump sum payment be made for the annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of February 5, 1946, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Kansas City:

Carl N. Burnett	Keith Tindall
Stanley Andrews	Joe R. Euans
Charles Sheppard	Estes A. Swanson
Robt. E. Thomas	Carl Johnson
E. L. Screechfield	Richard F. Hickok
J. S. Handford	Jas. A. Hutton
Willard Gossett	

"Appropriate notations will be made in our records of the names reported as deletions."

Approved unanimously.

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

"This is to acknowledge receipt of your letter of February 1, with which you enclosed the December 31, 1945 report of condition of the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania.

"It is noted that there is a difference of \$450,000 between certain items in the report of condition on Form F. R. 105 and corresponding items in the statement published pursuant to the requirements of the Federal Reserve Act and the Department of Banking of the State of Pennsylvania; that the difference represents loan participations sold under repurchase agreement by the Pennsylvania Company, and results from the fact that the instructions of the State Department of Banking with regard to such repurchase agreements differ from the corresponding instructions issued by the Board; and that you plan to discuss

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"the matter with the Department in an endeavor to prevail upon it to amend its instructions so as to bring them in conformity with Federal Reserve practice with respect to repurchase agreements, thus avoiding similar differences hereafter between condition reports and published statements. It will be appreciated if you will advise the Board of the results of any such discussions."

Approved unanimously.

Letter to Mr. Sawyer, Manager of the Security and Loan Department of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of January 30, 1946, regarding a question presented by The National Shawmut Bank of Boston, under Regulation U.

"It is understood that The Shawmut Bank is interested in a loan to a stock brokerage partnership that is a member of a national securities exchange. The inquiry states that the loan would be 'for the purpose of conducting its day-to-day business', and the financing of a customer's 'cash' purchase is given as an illustration.

"It seems clear that the loan is 'for the purpose of purchasing or carrying any stock registered on a national securities exchange'. From the facts stated, the loan is subject to the Regulation unless it falls within the exception in section 2(f), which reads as follows:

'(f) Any temporary advance to finance the purchase or sale of securities for prompt delivery which is to be repaid in the ordinary course of business upon completion of the transaction;'

"The inquiry does not give enough facts for the question to be answered definitely. It is possible, however, to state certain general principles that may throw light on the problem.

"In the first place, a loan is not barred from the benefits of 2(f) merely because it is, in effect, a fluctuating credit rather than a single short-term advance. In other words, if there are a series of transactions, each of which could qualify under 2(f), they may be rolled together in a sort of revolving credit that does no more than overcome the inconvenience and expense of setting up and paying off a great number of individual loans.

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"On the other hand, the question whether a particular loan to a broker or dealer is exempted cannot be decided by a narrow view of a small part of the borrower's operations. As indicated in a similar question at page 392 of the 1937 Federal Reserve Bulletin, a loan to a broker or dealer is not exempted unless it is clearly identified and set apart as such in the light of the borrower's entire operation. This would be especially true if the borrower was attempting to combine a series of individual 2(f) transactions into a continuing credit."

Approved unanimously.

Memorandum dated February 4, 1946, from Mr. Smead, Director of the Division of Bank Operations, recommending that an identification card reading as follows be approved for issuance to the representatives of the Division of Bank Operations who will conduct functional expense surveys at the Federal Reserve Banks and Branches:

"THIS IS TO CERTIFY THAT \_\_\_\_\_, who has been designated as \_\_\_\_\_, Division of Bank Operations of the Board of Governors and whose signature appears below, is authorized by the Board to make official visits to Federal Reserve Banks and Branches to review and discuss matters pertaining to functional expense reports, including operating procedure and methods of determining and allocating expenses."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:   
Chairman.