

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 20, 1946, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

As stated in the minutes of the meeting of the Board on June 12, 1946, Mr. Vardaman was absent on official business.

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 June 19, 1946, were approved unanimously.

Memorandum dated May 28, 1946, from Mr. Smead, Director of the Division of Bank Operations, recommending that Mrs. Esther G. Peck be appointed a Clerk in that Division, for a temporary period of six months with basic salary at the rate of \$2,034 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination, it being understood that if her services were satisfactory she would be recommended for a permanent appointment. The memorandum also stated that it was contemplated that Mrs. Peck would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated June 19, 1946, from Mr. Carpenter, submitting the resignation of Miss Nancy R. Paterson, a File Clerk in the Office

6/20/46

-2-

of the Secretary, and recommending that the resignation be accepted, effective at the close of business on June 26, 1946, and that proper lump sum payment be made to Miss Paterson for any unused annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

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

"The Board appreciates your willingness to permit Mr. John B. Grant, of your Bank, to work for a time with the Board's staff on Regulation W matters, including not only operating matters but also questions concerning the amendment or revision of the regulation.

"It is suggested that the arrangement be for a loan of Mr. Grant's services for a period ending not later than October 31, 1946. We should like to have the arrangement provide in some way for his attending the regional conference on Regulation W that is scheduled for July 8-9 in San Francisco and for his coming to Washington not later than July 29, but it will be understood that this arrangement will not interfere with his taking about two weeks' vacation sometime in July.

"It is understood that while Mr. Grant is working for the Board, your Bank will continue to pay his salary, which at present is at the rate of \$5,290.00 per annum, and the Bank's regular contributions to the Retirement System on his behalf, will pay him a living allowance at the rate of \$240.00 per month on account of his expenses while on duty with the Board, and reimburse him for expenses incurred while traveling for the Board. The Board will reimburse your Bank for such items exclusive, of course, of whatever period Mr. Grant will be on vacation, against monthly vouchers to be submitted, a supply of which is enclosed. While traveling in connection with his assignment to the Board, the Board will approve payments of reasonable amounts spent by him for transportation and hotel accommodations and for such other incidentals as are allowed by the Board's travel regulations, not including the cost of meals and expenses incident thereto since Mr. Grant will be receiving \$240.00 per month for his living expenses while on duty with the Board.

6/20/46

-3-

"We are confident that the outcome of this arrangement will be of distinct value not only to the Board but also to the System as a whole."

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, prepared pursuant to the discussion at the meeting of the Board on June 18, 1946:

"The attention of the Board of Governors has been called to the fact that Mr. Flanders has announced his intention to stand for election as United States Senator from Vermont.

"As you know, in 1915 the Federal Reserve Board adopted a resolution, a copy of which is in the files of your Bank, to the effect that persons holding political or public office or acting as members of political party committees could not consistently with the spirit and underlying principles of the Federal Reserve Act serve as directors or officers of Federal Reserve Banks. Subsequently, the Board took the position that the resolution should apply in situations in which a director was standing for election to a political office.

"Mr. Flanders is not an officer or employee of the Federal Reserve Bank in the usual sense and the Board dislikes very much, because of his outstanding qualifications, to change the existing arrangement which was made with him beginning on March 1 of this year under which he serves as consultant to the board of directors of the Bank. However, it is felt that it would be contrary to the purpose of the Board's resolution for him to continue to serve in that capacity while he is running for election as a United States Senator.

"It will be appreciated, therefore, if you will discuss the matter with Mr. Flanders and if you will advise the Board when his connection with the Bank has been terminated."

Approved unanimously.

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

6/20/46

-4-

"In accordance with the request contained in your letter of June 14, 1946, the Board approves the appointment of Fred Lamar Williamson, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Atlanta. If the appointment is not made effective July 1, as planned, please advise us."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the appointment of Dr. William H. Stead as Vice President in charge of the Research Department of the Federal Reserve Bank of St. Louis and payment of salary to him at the rate of \$10,000 per annum for the period ending May 31, 1947, the rate fixed by the Board of Directors as reported in your letter of June 15, 1946. Please advise us as to the date Dr. Stead enters upon the performance of his duties."

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier 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 changing of the name of the Currency and Coin Department to the Cash Department, as submitted with your letter of June 12, 1946."

Approved unanimously.

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

"Reference is made to your two letters dated June 11, 1946, submitting the request of the Manufacturers and Traders Trust Company, Buffalo, New York, for permission to establish branches in Dunkirk, New York, and Corfu, New York, in connection with the proposed absorption through merger of The Merchants National Bank of Dunkirk and the Bank of Corfu.

6/20/46

-5-

"The Board of Governors concurs in your opinion that the proposed mergers will not result in any change in the general character of the assets of the Manufacturers and Traders Trust Company or broadening in the functions exercised by it, within the meaning of condition of membership numbered 2 to which it is subject.

"In view of your recommendation, the Board approves the establishment and operation of a branch in Dunkirk, New York, and a branch in Corfu, New York, by the Manufacturers and Traders Trust Company, Buffalo, New York, provided the mergers with The Merchants National Bank of Dunkirk and the Bank of Corfu are completed substantially as proposed and the prior approval of the appropriate State authorities is obtained, and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the mergers and establish the branches."

Approved unanimously.

Letter to "Safe Deposit and Title Guaranty Company", Kittanning, Pennsylvania, 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 to the board of directors of the "State Bank of Chrisman", Chrisman, Illinois, 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 for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

6/20/46

-6-

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the State Bank of Chrisman, Chrisman, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois, for his information.

"It is noted that, with respect to savings deposits, the statement is made on page 16 of the report of examination that 60 days' notice is provided for in connection with the withdrawal of all sums exceeding \$100. It is assumed that you have advised the bank that the reservation of the right to require at least 30 days' written notice before withdrawal of savings deposits is necessary in all cases in order to conform with the requirements of the Board's regulations."

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

"Reference is made to your letter of June 14, 1946, submitting for the consideration of the Board, pursuant to the provisions of condition of membership numbered 8, to which the member bank is subject, the request of The Brecksville Bank, Brecksville, Ohio, for approval of an investment of \$9,167.94 in a lot adjoining its bank building for the purpose of erecting an addition to the present banking quarters.

"It is understood that, through oversight, the bank effected the purchase of the lot referred to above on September 9, 1945, and that before any further expenditures are made for the construction of the contemplated addition to the banking quarters the matter will be referred to the Board for consideration.

"In view of your recommendation and the information submitted, the Board will interpose no objection to the transaction as consummated."

Approved unanimously.

6/20/46

-7-

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

"Board of Governors approves payment of regular semi-annual dividend for period ending June 30, 1946."

Approved unanimously.

Memorandum dated June 14, 1946, from Mr. Evans and Mr. Parry, recommending adoption of amendment No. 20 to Regulation W, Consumer Credit, to become effective two weeks after approval by the Board.

The memorandum in addition to setting forth the reasons for the changes that would be made by the amendment, stated that all of the changes had been discussed informally with representatives of one or more Reserve Banks and some of them had been discussed with representatives of all Federal Reserve Banks; that the purpose of the amendment was to meet several urgent administrative problems; and that it was not intended or expected to have any material effect on net balance in the direction of encouraging the growth of consumer credit.

The amendment was approved unanimously, as follows, it being understood (1) that the amendment would be sent by wire to the Federal Reserve Banks with the request that they print and distribute it to interested persons in their respective districts, and (2) that the Board would not issue a press statement with respect to the amendment but that the Reserve Banks would be requested to advise interested national trade associations in advance of its distribution:

"AMENDMENT NO. 20 TO REGULATION W

"Issued by the Board of Governors
of the Federal Reserve System

"Regulation W is hereby amended in the following respects, effective July 5, 1946:

"1. Section 2(e) is amended by inserting the words 'in a principal amount of \$1,500 or less' after the word 'credit'.

6/20/46

-8-

"2. Section 8(a) is amended by inserting at the end thereof after the word 'structures' a comma and the following: 'provided such repairs, alterations, or improvements do not incorporate any listed article'.

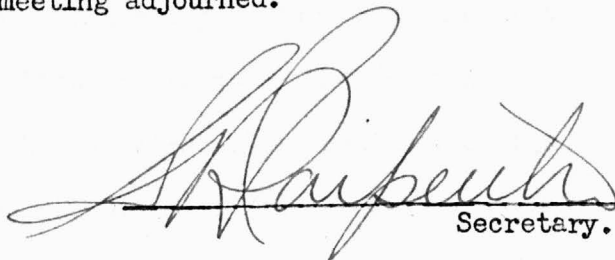
"3. Section 8(c) is amended by revising clause (1) thereof to read as follows:

"(1) That the proceeds are to be used for bona fide educational, medical, hospital, dental, or funeral expenses, or to pay debts incurred for such expenses, and that such proceeds (unless they are to be used exclusively for educational expenses) are to be paid over in amounts specified in such statement to persons whose names, addresses, and occupations are stated therein;


"4. Section 13(a) is amended by striking out the names of the articles listed as items 4, 5, and 6 of Group A and inserting in lieu thereof the word '(Deleted)', and also by adding at the end of Group A a new item 42 reading as follows:

"42. Combination units incorporating any listed article in classifications 12, 13, 18, 30, or 36 of this Group A."

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.