

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 26, 1946, at 10:30 a. m.

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

Mr. Carpenter, 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 June 25, 1945, were approved unanimously.

Memoranda dated June 12, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending (1) that the salary of Miss Nancy Lee Chelberg, Stenographer in that Division, be increased from \$1,860 to \$2,034 per annum, and that she be placed on a permanent basis, and (2) that the salary of Miss Frances Scott, Secretary in that Division be increased from \$2,496 to \$2,650 per annum, all effective at the beginning of the first pay roll period following approval by the Board.

Approved unanimously, effective June 30, 1946.

Letter to Mr. Benjamin A. Theeman, Secretary-Treasurer of the International Training Administration, Inc., Washington, D. C., reading as follows:

"In our letters of June 12, 1945, and December 26, 1946, we informed you that the Board approved the payment of a living allowance to Mr. Ruben Benitez of the central bank of Paraguay, with the condition that the payments were to be for periods of

6/26/46

-2-

"six months, at the end of which the Board would want to review the arrangement. The present period covered by the Board's approval, as expressed in our letter of December 26, 1945, will expire the 30th of this month.

"It is expected that Mr. Benitez' training will be finished by the end of September and that immediately or shortly thereafter, he will be returning to Paraguay. The exact time of his departure is dependent somewhat on meetings of the Board of Governors of the International Monetary Fund and Bank, Mr. Benitez being alternate governor representing Paraguay on that Board. It is also our understanding that the Bank of Paraguay has authorized Mr. Benitez to attend a conference of central bank representatives to be held in Mexico City the latter part of August. Attendance at this conference, which will be devoted to technical problems will be very useful, we believe, in supplementing the work Mr. Benitez has been doing in preparation for his important responsibilities in Paraguay and should be considered part of his training.

"Accordingly, the Board approves the continuation of Mr. Benitez' allowance up to and including September 30."

Approved unanimously, with the understanding that the necessary increase would be made in the appropriate item of the non-personal budget of the Secretary's office.

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

"In accordance with the request contained in your letter of June 18, 1946, the Board approves the appointment of Leroy Bengé, who recently resigned his position as Assistant Federal Reserve Examiner on the Board's field staff, as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"Reference is made to your letter of June 17, 1946, submitting the request of the State Bank of Albany, Albany, New York, for permission to establish a branch in Johnstown, New York, in connection with the proposed absorption through merger of The Peoples Bank of Johnstown, New York.

6/26/46

-3-

"The Board of Governors concurs in your opinion that the proposed merger will not result in a change in the character of the assets of the State Bank of Albany or in the scope of the corporate powers exercised by it within the meaning of condition of membership numbered 1 to which it is subject.

"In view of your recommendation, the Board approves the establishment and operation of a branch in Johnstown, New York, by the State Bank of Albany, Albany, New York, provided the merger with The Peoples Bank of Johnstown, New York, is effected substantially as set forth in the agreement submitted 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 merger and establish the branch."

Approved unanimously.

Letter to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of June 8, 1946, requesting the Board's comments in connection with an inquiry concerning the proposed resumption of lending operations by Fidelity Acceptance Corporation.

"The resumption by Fidelity Acceptance Corporation of lending operations which do not involve the control of banks will not affect the determination made by the Board in its letter of November 10, 1944, under which the corporation is not a holding company affiliate for any purposes other than section 23A of the Federal Reserve Act. As indicated by your letter, however, it should be pointed out that these operations will be objectionable if they assume such character or proportions as to adversely affect the Bank of Berkeley due to the close relationship between it and the corporation."

Approved unanimously.

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

"Under date of December 27, 1945, the Board advised you that it had authorized the discontinuance of further printings of Federal Reserve notes in denominations of \$500 and above. In that letter the Board asked to be advised whether you concurred in the suggestion that steps be taken looking toward the elimination from circulation of such denominations of currency. This

6/26/46

-4-

"matter was also discussed informally with representatives of the Treasury Department.

"After carefully considering the viewpoints of the Federal Reserve Banks and of the representatives of the Treasury Department, the Board decided that it would adhere to its previous action in directing that no further printings of notes in denominations of \$500 and over be requested, but that it would offer no objection to the paying out of currency in such denominations by the Federal Reserve Banks as long as the present stocks last. In taking this action it was understood that should the Treasury discontinue its program of requiring reports of unusual currency transactions the matter would again be considered by the Board."

Approved unanimously.

Letter to Mr. Leach, Chairman of the Board of Trustees of the Retirement System of the Federal Reserve Banks, reading as follows:

"In your letter of June 7, 1946, you request the Board's approval of certain amendments to the Rules and Regulations of the Retirement System of the Federal Reserve Banks, as approved by the Board of Trustees, and of a resolution adopted by the Executive Committee with regard to the benefits accorded returning servicemen.

"The Board approves the amendments to the Rules and Regulations and the resolution of the Executive Committee as submitted."

Approved unanimously.

Telegram to Mr. McConnell, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring your letters June 17 and June 20 regarding question presented by Northwestern National Bank. Board is of opinion that proposed loan would be for the purpose of purchasing or carrying registered stocks and that accordingly, if secured by stock, it would be subject to Regulation U."

Approved unanimously.

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

"This refers to Mr. Hodge's letter of June 18, 1946, asking three questions arising under section 12(1) of Regulation

6/26/46

-5-

"W. The question in each instance is whether certain articles, when sold together, constitute a single 'article' within the meaning of that section so that a down payment would be required on the total, even though certain of the articles, alone, cost less than \$10.00. The questions relate to -

- (1) A rug and a rug pad.
- (2) An automobile tire and inner tube.
- (3) Certain pieces of linoleum of the same design and utility.

"The Board is of the opinion that none of these constitutes a set, group, or assembly so as to constitute a single 'article' within the meaning of section 12 (1). It is assumed in connection with (3) that the pieces of linoleum are sold in any number which the customer may desire and are not designed and are not packaged or intended to be used in any fixed number. As you know, when amendment No. 20 becomes effective July 5, 1946, automobile tires and inner tubes will no longer be 'listed articles.'"

Approved unanimously.

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

"The term 'principal amount' as introduced into section 2(e) of Regulation W by Amendment No. 20 has the same meaning as the term 'deferred balance' as used in clause (4) of section 4(d) which is for instalment selling the counterpart of the term 'principal amount lent' as used and defined in clause (1) of section 6(a)."

Approved unanimously.

Memorandum dated June 24, 1946, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the July issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Consumer Credit  
 Amendment to Regulation W  
 Conviction for Violating Regulation W

Peoples Bank v. Eccles, et al

6/26/46

-6-

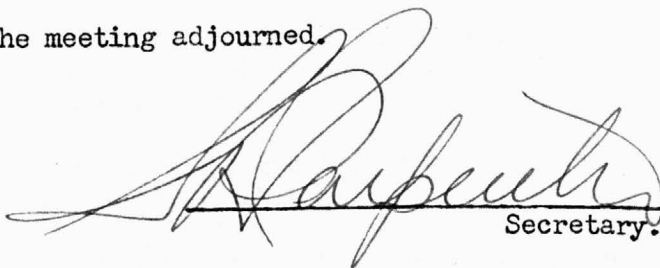
Foreign Funds Control  
Treasury Department Releases

Approved unanimously.

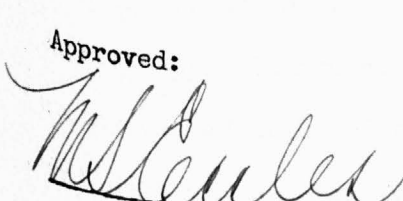
Memorandum dated June 25, 1946, from Mr. Thomas, Director of the Division of Research and Statistics recommending that Mr. Robert Triffin, an Economist in that Division, be granted an advance of funds in the sum of \$250 for use in helping to meeting the expenses of his forthcoming official travel approved by the Board on June 25, 1946, for travel to the Republic of Guatemala and the Dominican Republic. As security for this advance Mr. Triffin has consented to the deduction from any amount standing to his credit in the Retirement System of the Federal Reserve Banks of any sum due and refundable to him in the event of his failure to account properly for any moneys advanced to him by the Board of Governors.

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.