

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 8, 1946, at 10:30 a. m.

PRESENT: Mr. Szymczak, Chairman pro tem
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Thurston, Assistant to
the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Telegrams dated July 5, 1946, to Mr. Whittemore, President of the Federal Reserve Bank of Boston, Mr. McCreedy, Vice President and Secretary of the Federal Reserve Bank of Philadelphia, Mr. Bryan, First Vice President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Mangels, Vice Presidents of the Federal Reserve Banks of Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of Atlanta and San Francisco on July 2, by the Federal Reserve Banks of Philadelphia and Chicago on July 3, and by the Federal Reserve Bank of Boston, on July 5, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 5, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending that Miss Elaine L. Quarforth be employed as a typist in the Division of Examinations, for a period of not to exceed three months, with salary at the rate of \$1,954 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that because of

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the temporary nature of Miss Quarforth's employment she would not become a member of the Retirement system.

Approved unanimously.

Letter prepared in accordance with the action taken by the Board at its meeting on June 28, 1946, for the signature of Chairman Eccles to Honorable Paul M. Herzog, Chairman of the National Labor Relations Board, Washington, D. C., reading as follows:

"We understand that in connection with a petition for certification of representatives filed by the Office Employees International Union, A. F. of L., with respect to employees of the Federal Reserve Bank of Dallas, your Board is considering the question of the application of the National Labor Relations Act to the Federal Reserve Banks, and a representative of your Board has advised us that the Board of Governors may submit its views on the question.

"The Board of Governors feels strongly that the National Labor Relations Act, in view of the express exemption of the United States from the application of the statute, was not intended to apply and does not apply to the Federal Reserve Banks. I am enclosing herewith a memorandum stating our views upon the question in more detail.

"We appreciate the opportunity afforded us to submit this expression of our views in this matter."

Approved unanimously.

Letter to the board of directors of "The Huntsville State Bank", Huntsville, Ohio, 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 Cleveland.

Approved unanimously,
together with the following
letter to Mr. Gidney, Presi-

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dent of the Federal Reserve
Bank of Cleveland:

"The Board of Governors of the Federal Reserve System approves the application of 'The Huntsville State Bank', Huntsville, Ohio, 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 Superintendent of Banks for the State of Ohio for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations its practice of permitting savings deposit withdrawals received through the mails from other banks."

Letter to the board of directors of "The Peoples Bank of Dayton", Dayton, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Cleveland:

"4. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of not less than \$200,000."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Peoples Bank of Dayton', Dayton, Ohio, 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 en-

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closed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"It has been noted that the loan losses estimated in the report of examination for membership were charged off during the examination and that the relatively small amount of other losses is to be eliminated at the close of the semi-annual accounting period. Therefore, the usual condition requiring the elimination of losses has not been prescribed.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16-1 of the report of examination for membership. In this connection, it is noted that the examiner lists for information only the existence of two savings accounts established prior to the effective date of Regulation Q. Your attention is called to the fact that even though these accounts were established before the effective date of the Regulation, they may not properly be maintained as savings deposits if they do not conform to the definition of savings deposits and if the bank has a legal right to terminate such accounts consistent with its contractual obligations."

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

"Reference is made to your letter of June 24, 1946, regarding the application for membership submitted by the 'Woodruff State Bank', Woodruff, Wisconsin, and approved by the Board of Governors on June 12, 1946, in connection with which the management has requested that the time within which membership may be accomplished be extended beyond the middle of January 1947 in order that the matter may be submitted to the shareholders for consideration at the next annual meeting.

"The Board of Governors extends to February 15, 1947, the time within which the Woodruff State Bank, Woodruff, Wisconsin, may accomplish membership, provided the Reserve Bank finds, through an investigation made within thirty days of admission to membership, that there have been no unfavorable developments in the meantime with respect to the asset condition of the bank or its management and no significant changes in the scope of the corporate

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"powers exercised by it."

Approved unanimously.

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

"Your letter of June 20, 1946 presents a question raised by the Chicago Stock Exchange regarding a specialist's account under section 4(g) of Regulation T. The question, in effect, is whether a specialist may have more than one specialist's account with the same broker-dealer pursuant to this provision.

"Section 4(g) requires the specialist's account to conform to 'all the conditions to which it would be subject if it were a general account', with certain exceptions not here relevant. Pursuant to this requirement, all transaction under section 4(g) must be considered as a unit, just as all transaction in a general account must be considered as a unit. For example, withdrawals must take into account the status of all the customer's 4(g) transactions and not merely certain selected ones.

"On the other hand, the regulation does not prohibit the specialist from dividing his account into two or more parts for bookkeeping purposes. In other words, there can be only one specialist's account for each customer so far as Regulation T is concerned, but so long as the requirements of the regulation are met, the broker and customer may divide this account into as many parts as they like for other purposes.

"Another feature of the inquiry deserves mention. The specialist wishes to set up the separate account -- or part of an account -- in order to confine it to long-term trades for income tax purposes. It should be noted, however, that section 4(g) refers to the specialist's 'transactions as a specialist'. The application of this requirement necessarily depends upon the facts of each case, but it would seem that the purchasing of securities with the announced intention of holding them six months or longer would at least raise a question for consideration by the Exchange as to whether such purchases could properly be considered to be made 'as a specialist'."

Approved unanimously.

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Thereupon the meeting adjourned.

[Handwritten Signature]
Secretary.

Approved:

[Handwritten Signature]
Chairman pro tem.