

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 29, 1946, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman
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:

Letter to "The Bank of Glassport," Glassport, 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 Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors approves payment of salary to Mr. Thomas H. Hodgson, Assistant Vice President of your Bank, for the period July 15, 1946, through May 31, 1947, at the rate of \$7,000 a year, the rate fixed by the directors as reported in your letter of July 18."

Approved unanimously.

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

"Thank you for your letter of July 19 advising of the arrangements for the compensation of the consultants who have been engaged by the Bank to assist in the job evaluation project. The Board interposes no objection to the program as

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"outlined in your letter."

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"This is in reply to Mr. Sherman's letter of July 18, regarding increases in the salaries of employees in the Federal Reserve Agent's Department in connection with the recent blanket increase in salaries.

"The Board of Governors approves payment of salaries, effective July 1, 1946, to the following representatives of the Federal Reserve Agent at the rates shown which reflect the blanket increases as reported in Mr. Sherman's letter:

<u>Name</u>	<u>Title</u>	<u>Present Salary</u>
Maurice Allendoerfer	Assistant Federal Reserve Agent	\$3,588
Kenneth Self	Alternate Assistant Federal Reserve Agent	4,128
<u>Denver Branch</u>		
William R. Young	Federal Reserve Agent's Representative	3,792
H. B. Fisher	Alternate Federal Reserve Agent's Representative	3,060
<u>Oklahoma City Branch</u>		
David E. Chase	Federal Reserve Agent's Representative	3,552
Lee G. Cox	Alternate Federal Reserve Agent's Representative	3,216
<u>Omaha Branch</u>		
Wm. F. Fairley	Federal Reserve Agent's Representative	3,180
Earl O. Streeter	Alternate Federal Reserve Agent's Representative	3,372"

Approved unanimously.

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

"This refers to your letter of July 11, 1946, regarding Regulation U.

"It appears that a nonbanking corporation has granted options to certain of its employees to purchase stock of the corporation, such stock being registered on a national securities exchange. Some of these employees wish to exercise their options, and in order to do so they wish to borrow funds secured by these or other registered stocks.

"A bank has raised the question as to whether this may be done by the corporation making such loans to the employees and then discounting the paper at the bank.

"A separate question is raised as to whether the loans may be made by one or more trusts in the bank if the bank does not have control over the investments of the trusts. The inquiry states that the trusts referred to are those in which the investment powers are lodged exclusively in others than the bank, or at least in which the bank is only one of a number of members of an advisory committee, a majority of whom control.

"Since Regulation U applies only to banks, it would not prevent the corporation from making the loans. It is clear, however, that if the bank subsequently discounted the paper, the bank would merely be using an indirect method of financing the stock purchases. The Board, therefore, agrees with your view that in the light of the Board's letter S-903 of March 14, 1946, the paper could not be discounted at the bank.

"The Board also agrees with your view that the second question must also be answered in the negative in the light of the Board's letter S-923 of July 2, 1946, which states that Regulation U applies to the activities of a bank in a trust capacity. It is the view of the Board that the regulation applies regardless of whether or not the bank has discretionary powers over the trust."

Approved unanimously.

Letter to Mr. Ralph J. Clauss, President, Penn Securities Company,
Allentown, Pennsylvania, reading as follows:

"We have your letter of July 18, with further reference to the requirements of Regulation W as they relate to automobiles.

"In our opinion, as stated in our letter of July 16, the

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"suggestion that you put forward would seriously weaken the regulation as a part of the Government's anti-inflation program. We can see no justification for such action at the present time, when the danger of inflation is at least as serious as it has ever been.

"We are unable to agree with the contention that lengthening the time-payment period to 24 months would not tend to increase the demand for automobiles and are convinced that, by increasing the amount of consumer credit issued, it would add to inflationary pressures. In the end, therefore, it would not even be of help to the wage-earning classes who are in the long run the worst sufferers from inflation.

"The time to consider relaxation of the regulation will be when the supplies of consumers' goods approach a reasonable balance with demand."

Approved unanimously.

Letter to Mr. Blair, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of July 5, with which you enclosed a copy of a letter dated July 2 from The B. F. Goodrich Company, Akron, Ohio, requesting permission for 200 of their stores to observe a 25th of the month closing date for billing charge customers, with a 'default' date (within the meaning of section 5(c) of 40 days after the billing date or the 5th day of the second calendar month following the month of billing.

"The B. F. Goodrich Company makes this request under the provisions of section 12(m) of Regulation W. As you mention, the Registrant's suggested plan is not a cycle billing plan in the usual sense since under the plan certain stores would bill all of their accounts on the 25th of the month and the other stores on the last day of the month rather than a single store dividing its charge accounts into several groups and using a different closing and billing date for each group. The Board feels that the proposed plan is not a 'cycle billing' plan as contemplated in section 12(m) of Regulation W and therefore the Registrant's request cannot be approved under that authority.

"To change the regulation so as to permit one store in a city to observe a date other than 'the 10th day of the second calendar month following the calendar month during which such article was sold' as the "default" date for all of its accounts would, in the Board's opinion, be discriminatory and would quite properly

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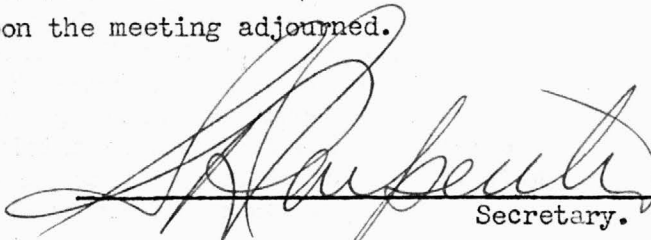
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"lead to many such requests being made by other Registrants for different reasons not in keeping with the spirit and intent of the regulation.

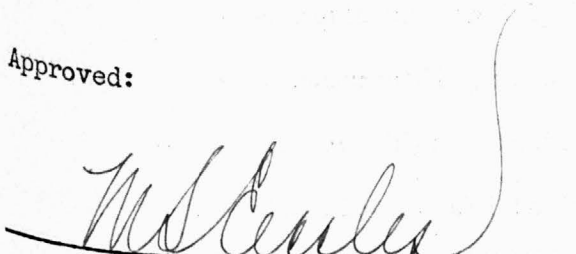
"The B. F. Goodrich Company's request arises from a desire to effect operating economies and it may be that Amendment No. 20, which became effective subsequent to the date of its letter, changes the importance of the request. The Board certainly does not oppose the purpose for the suggested change and it may be that further discussion between your office and the Registrant will aid in producing a plan which will accomplish the desired results without the necessity for amending the regulation."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.