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A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 20, 1946, at 11:00 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
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division
of Examinations
Mr. Nelson, Director of the Division
of Personnel Administration
Mr. Townsend, Assistant General Counsel
Mr. Young, Assistant Director of the
Division of Research and Statistics
Mr. Solomon, Assistant Counsel

At the meeting of the Board on June 4, 1946, there was a discussion of the arrangement under which Mr. Kincaid, Vice President of the Federal Reserve Bank of Richmond, conducted a seminar at the University of Virginia on monetary theory, central banking, credit controls, and fiscal policy. At the time Mr. Vardaman stated that he was opposed to any outside part time employment (as distinguished from teaching connected with banking such as A.I.B. classes or the Graduate School of Banking) of officers of Federal Reserve Banks, and that he felt that the work of the Reserve Banks required the full time of the men who had official responsibility. At this meeting, Mr. Vardaman stated that he had reviewed the present policy of the Board with respect to teaching commitments, and that while he was willing to go along with that policy

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if it should be the desire of the Board, he was opposed in principle to officers of Federal Reserve Banks serving on university staffs.

The question raised by Mr. Vardaman was discussed in the light of the differences between Mr. Kincaid's arrangement with the University of Virginia and the connection of Mr. John H. Williams of the Federal Reserve Bank of New York with Harvard University and of the solution that had been agreed upon in the case of Mr. Williams. It was pointed out that according to the Board's records, these two cases were the only ones of the kind that were in effect at the present time.

The suggestion was made during the discussion that if the policy set forth in the Board's letter of June 25, 1945, S-855, were continued, other cases might arise which would present difficulties, and that the best procedure might be to return to the position stated in the Board's letter of May 7, 1924, X-4048, to the effect that the good conduct of the Federal Reserve System required that the officers of the Reserve Banks should give their entire time and attention to the affairs of the Banks, and not be identified with any outside business interests. While no decision was reached on the question of general policy, the discussion indicated that the members of the Board present were sympathetic to the above suggestion.

Mr. Evans proposed that when Mr. Leach of the Federal Reserve Bank of Richmond was in Washington in connection with the next Presidents' Conference, the Board's Personnel Committee discuss with him,

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in the light of the views expressed at this meeting, the desirability of changing the arrangement which Mr. Kincaid had with the University of Virginia.

This suggestion was approved, unanimously, with the understanding that after the Personnel Committee had talked with President Leach it would submit a recommendation as to what action, if any, should be taken by the Board.

There was then presented a memorandum dated August 19, 1946, from the Personnel Committee recommending that the per diem allowances in lieu of subsistence and the mileage rate for use of an automobile for official travel, as provided in the Board's official travel regulations, be increased as set forth below, effective September 1, 1946:

	<u>Present Rate</u>	<u>Proposed Rate</u>
<u>Per diem in lieu of subsistence</u>		
Board Members	\$10.00	\$12.50
Heads or assistant heads of Divisions, Federal Reserve Bank Auditors who audit the accounts of the Board, and other persons traveling on official business of the Board upon specific authorization of the Chairman, Vice Chairman, or Chairman pro tem	8.00	10.00
Other persons traveling on official business of the Board	6.00*	7.50

*The proposed rate of \$7.50 would supersede the special authorization of \$7.00 for examiners and assistant examiners who participate in the examination of the Federal Reserve Banks and

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for members of the Division of Bank Operations who visit the Reserve Banks to review operating costs.

<u>Mileage rate for use of own automobile</u>	5¢	6 $\frac{1}{4}$ ¢
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(with the continuation of the provision that persons referred to in paragraph 3 of the Board's travel regulations "may be allowed reimbursement on such basis only to the extent that such allowance does not exceed the cost of transportation by common carrier over the shortest usually traveled route between the points of travel.")

Mr. Vardaman stated that the reason for the recommendation was that information available to the Board indicated that the cost of official travel had increased at least 50%, and that, therefore, the increase recommended was believed to be reasonable.

The recommendation was considered on the basis of the allowances authorized by the standardized Government travel regulations and by the Federal Reserve Banks. Reference was made to the fact that the travel allowances permitted by the Reserve Banks were not uniform, and Chairman Eccles raised the question whether the Board should take such action as might be necessary to bring about uniformity in this regard at all of the Federal Reserve Banks.

On the latter point there was unanimous agreement that the staff should prepare a statement with respect to the transportation and subsistence expenses allowed by the Federal Reserve Banks in connection with official travel, and that the matter should be placed on the docket for consideration at a subsequent meeting of the Board. x

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In connection with the recommended increase in allowances authorized by the Board, reference was made to the recent letter sent by President Truman to various departments and agencies of the Government requesting that they reduce expenditures. The opinion was expressed and concurred in by the members present that Congress had recently increased salaries and other authorized expenditures, and that the recommended increase in the per diem and other expenses allowed by the Board was a conservative one which recognized the greatly increased cost of travel and was designed to reduce the personal expense which members of the Board and its staff traveling on official business would otherwise incur.

At the conclusion of the discussion, upon motion by Mr. Szymczak, the recommendation of the Personnel Committee was approved unanimously with the understanding that appropriate changes would be made in the official travel regulations of the Board.

Mr. Vardaman referred to the conference of examiners of the Federal Reserve Banks which had been called by the Board to convene in Washington on September 11-13, 1946, and stated that Secretary of the Treasury Snyder had agreed to address the conference on Thursday, September 12. He also said that question had been raised whether the Board should pay all or any part of the cost of a dinner which it was expected would be held while the conference was in session and which would be attended by the examiners from the Federal Reserve Banks,

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members of the Board and certain members of the staff, and invited guests from the Treasury and the Federal Deposit Insurance Corporation.

This question was discussed in the light of the policy followed by the Board in the past of not paying the cost of such dinners, and the fact that if the Board should assume the expense in this case it would set a precedent which would have to be considered in connection with other meetings such as conferences of auditors, economists, and other representatives of Federal Reserve Banks invited to Washington by the Board. There was also a discussion of the more liberal policies followed by the Federal Reserve Banks with respect to luncheons and dinners, and there was agreement that there was no reason why the Board should follow one policy in this connection and the Federal Reserve Banks another, and that the question was what the policy for the System should be. Various possibilities were considered after which all of the members present indicated that payment by the Board of the cost of the dinner proposed in connection with the forthcoming conference of examiners would be justified.

Thereupon, Mr. Szymczak moved that the Board approve the payment of the entire cost of the dinner to be provided at a hotel in Washington in connection with the conference of examiners, and that the appropriate item in the budget of the Division of Examinations be increased accordingly, it being understood that the extent to which the cost of similar dinners would be paid by the Board in the future would be decided, upon re-

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commendation of the Personnel Committee, when the arrangements for a conference were being made.

Mr. Szymczak's motion was put by the Chair and carried unanimously.

It was also agreed unanimously that the entire cost of a dinner at a Washington hotel on Wednesday, October 2, 1946, for the Presidents of the Reserve Banks when they are in Washington to attend the Presidents' Conference, should be paid by the Board, and that the appropriate item in the budget of the Division of Administrative Services should be increased accordingly.

In connection with the above action, unanimous approval was given to a recommendation by Chairman Eccles that there be placed on the agenda for consideration at the conference of Presidents the question of System policy with respect to expenditures for dinners, entertainment, and other similar expenditures.

Before this meeting, each member of the Board present had been furnished a copy of a memorandum dated August 15, 1946, from Mr. Vest submitting and recommending adoption by the Board, to become effective September 11, 1946, of rules of organization and rules of procedure which had been prepared in accordance with the requirements of Section 3 of the Administrative Procedure Act, the rules upon adoption by the Board to be published in the Federal Register. The memorandum stated that in general the rules merely prescribed the existing set-up and procedures of the Board and made no changes of substance therein, except those which were required under the Administrative Procedure Act,

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but that the rules did reflect the proposed elimination of the Office of Administrator for War Loans and the transfer of its functions to the Division of Bank Operations. The memorandum made the further statement that after a review by the Board's staff of a preliminary draft of the rules, they were sent to the Federal Reserve Banks for comment, and that the rules now proposed for adoption by the Board had been revised in the light of the suggestions received from the Reserve Banks and of further comments obtained from members of the staff.

Mr. Vest outlined the pertinent provisions of the Administrative Procedure Act relating to the issuance of the rules and stated that there had been received in the Board's offices this morning a circular letter dated August 19, 1946, from the Bureau of the Budget requesting that each department and agency of the Government which exercised or administered powers vested by statute in the President should incorporate appropriate information pertaining to such powers in the material to be published by the department or agency as of September 11, 1946. Mr. Vest stated that the only power exercised by the Board which was covered by this request was the authority over consumer credit, which was vested in the Board by the Executive Order of August 9, 1941, and that while it was his opinion that the draft of rules as submitted probably complied with the request, he would suggest that the following sentence be added at the end of the first paragraph of the rules of organization and the rules of procedure: "The rules relate to

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the consumer credit functions of the Board exercised pursuant to the President's Executive Order No. 8843, dated August 9, 1941, as well as to the other functions of the Board."

With this addition, the proposed rules were in the following form:

"RULES OF ORGANIZATION

"Effective September 11, 1946

"BASIS AND PURPOSE

"Sec. 1. - These rules are issued by the Board of Governors of the Federal Reserve System (hereinafter sometimes called the Board) pursuant to the Administrative Procedure Act and other relevant provisions of law, including the Federal Reserve Act. As specified in section 3(a)(1) of the Administrative Procedure Act, these rules describe the Board's 'central and field organization including delegations . . . of final authority and the established places at which, and methods whereby, the public may secure information or make submittals or requests'; they include appropriate provisions regarding the information specified in sections 3(b) and 3(c) of the Administrative Procedure Act. The rules relate to the consumer credit functions of the Board exercised pursuant to the President's Executive Order No. 8843, dated August 9, 1941, as well as to the other functions of the Board.

"COMPOSITION AND LOCATION

"Sec. 2(a) Governors, Chairman, Vice Chairman. - The law provides for a Board of Governors composed of seven members appointed by the President by and with the advice and consent of the Senate, for fourteen-year terms. Of these, one is designated by the President as Chairman and one as Vice Chairman to serve as such for terms of four years. At meetings the Chairman presides or, in his absence, the Vice Chairman presides. In the absence of the Chairman and Vice Chairman, the Board elects a member to act as Chairman Pro Tempore. The Chairman of the Board, subject to its super-

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vision, is its active executive officer.

"(b) Location. The principal offices of the Board are in the Federal Reserve Building, 20th Street and Constitution Avenue, N. W., Washington 25, D. C. Information as to business hours, which may be changed from time to time, will be furnished upon request.

"CENTRAL ORGANIZATION

"Sec. 3. - The Board's central organization, in addition to the members of the Board, consists of personnel organized as follows:

"(a) Secretary's Office is headed by the Board's Secretary, who acts as Chief Administrative Officer of the Board in its relations with the divisions of its staff and with the Federal Reserve Banks. It clears and conducts official correspondence of the Board and is charged with responsibility for the official records of the Board.

"(b) Legal Division is headed by the Board's General Counsel. It advises and assists the Board with respect to legal matters, including, among other things, litigation, and preparation of, or assistance on, regulations, orders, opinions and other documents or correspondence of legal or semi-legal character.

"(c) Division of Research and Statistics is headed by a Director. It advises and assists the Board with respect to general economic and statistical matters, and collects, prepares and interprets statistics, charts and other economic information appropriate for that purpose.

"(d) Division of Examinations is headed by a Director. It reviews and coordinates the bank examination functions of the Federal Reserve Banks (which examine the State member banks and their holding company and other affiliates), reviews reports of such examinations, examines the Federal Reserve Banks, and advises and assists the Board with respect to bank supervisory activities of the Federal Reserve System, and with respect to various applications such as for membership in the System, for trust powers, for establishment of branches, and for voting permits of holding company affiliates.

"(e) Division of Bank Operations is headed by a Director. It advises and assists the Board with respect to matters concerning the condition, operation, and reports of the Federal Reserve Banks, arranges for the printing and shipment of Federal Reserve notes to supply the Federal Reserve Banks, and collects and prepares various data regarding condition, earn-

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ings, expenses, and other statistics of Reserve Banks, member banks, and other banks.

"(f) Division of Security Loans is headed by a Director. It advises and assists the Board with respect to questions of credit policy in selected fields, and deals with administrative matters arising under the Board's Regulations T and U, relating to security-market credit, and Regulation W, relating to consumer credit.

"(g) Division of Personnel Administration is headed by a Director. It serves as central personnel unit of the Board, and advises and assists the Board with respect to personnel matters of the Federal Reserve Banks coming before the Board.

"(h) Division of Administrative Services is headed by a Director. It serves as the central budgetary, procurement, duplicating, communications and service unit of the Board and advises and assists the Board with respect to such matters. It also performs various administrative functions including the distribution of Board publications and the operation of the Board's building and other facilities.

"(i) Other Personnel. In addition to the divisions mentioned above, the staff of the Board includes Advisers to the Board and Assistants to its Chairman; these are listed in the Federal Reserve Bulletin. The Federal Reserve Bulletin is issued monthly under the direction of the Staff Editorial Committee, which is listed in the Bulletin and which is responsible for interpretations and opinions expressed therein, except in official statements and signed articles. The Board has occasion to hold so few formal hearings that it does not employ a trial examiner as a regular member of its staff. In accordance with applicable provisions of law and in individual cases as the need may arise, the Board will obtain and utilize competent trial examiners, whose functions in such capacity will be appropriately separated from investigative and prosecuting functions of the staff as required by law.

"FIELD ORGANIZATION

"Sec. 4. - The United States is divided into 12 Federal Reserve Districts. In one city of each Federal Reserve District there is a Federal Reserve Bank, and in 10 of the districts there are one or more branches of the Federal Reserve Bank in other cities. Each Federal Reserve Bank is a separate legal entity created pursuant to the Federal Reserve Act.

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The locations of the 12 Federal Reserve Banks and 24 branches and the boundaries of the Federal Reserve District and branch territories are shown in Appendix A. Each Federal Reserve Bank, in addition to its other important duties, carries out many local functions for the Board pursuant to instructions of the Board, and in many matters acts as the Board's field representative in the bank's district. It administers the Board's policies locally under instructions of the Board, keeps the Board informed of local conditions, and recommends such action as it thinks appropriate for general policies or in particular cases.

"It is desirable and convenient for persons concerned with Federal Reserve matters to deal with the Federal Reserve Bank of the appropriate district, or a branch thereof, in the first instance, and the Board requests all persons to follow this procedure.

"At each Federal Reserve Bank, one of the three directors of the bank appointed by the Board is designated by the Board as Chairman of the board of directors of the bank and as Federal Reserve Agent. He acts as the Board's official representative and maintains a local office of the Board on the premises of the Federal Reserve Bank.

"DELEGATIONS OF FINAL AUTHORITY

"Sec. 5. - The Board does not delegate its authority on any question of general policy, and its functions are such that there are no delegations of final authority in the usual sense of that term. Subject to the Board's control, there are, however, provisions for the Federal Reserve Banks to relax certain requirements promptly in the field in individual instances in order to avoid undue rigidity. This is the case with respect to some special conditions of membership (such as those regarding reduction of capital stock, investment in bank quarters, and disposal of stocks by member banks), minor penalties for deficiencies in member bank reserves, and the determination of facts in connection with disaster credits and 'cycle billing' under Regulation W. Provision is also made for appropriate committees of national securities exchanges or associations to grant extensions of time or approve certain other transactions under Regulation T.

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"PUBLISHED INFORMATION

"Sec. 6(a) Annual Report. - The Board's Annual Report to Congress, made pursuant to section 10 of the Federal Reserve Act, gives a report of the Board's operations during the year, and frequently includes recommendations to Congress and an economic review of the year. Under the law it must include a complete record of actions taken by the Board or by the Federal Open Market Committee with respect to policies determined by the Board or Committee and must show the votes taken and the reasons underlying the actions.

"(b) Federal Reserve Bulletin, Other Published Information. - In the Federal Reserve Bulletin, which has been published monthly since 1915, the Board publishes much other information available to it. In addition to various kinds of economic and statistical information, the following are published in the Bulletin:

"(1) All regulations of the Board of general interest to the public (including rules of organization and procedure, as specified in the Administrative Procedure Act), and amendments thereto; and

"(2) Statements of general policy, or interpretations, for the guidance of the public.

"Some material that appears in the Bulletin is released in advance during the month so that it will be more nearly current, examples being certain regulations and rulings, the monthly summary of business conditions, the Board's index of industrial production, and certain other statistical series.

"Among such information published in the Bulletin and also released in advance is the weekly statement, published pursuant to section 11(a) of the Federal Reserve Act, showing the condition of each Federal Reserve Bank and a consolidated statement of all Federal Reserve Banks. These weekly statements show in detail the assets and liabilities of the Federal Reserve Banks, single and combined, and furnish full information regarding the reserves and the amount, nature and maturities of the paper and other investments owned or held by the Federal Reserve Banks.

"From time to time, the Board issues various other publications, of which the more important are listed in the Federal Reserve Bulletin.

"(c) Federal Register. - All the information specified in subparagraph (1) of section 6(b) of these rules and such of the information specified in subparagraph (2) thereof as is appropriate, is published in the Federal Register.

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"OBTAINING INFORMATION, MAKING SUBMITTALS OR REQUESTS

"Sec. 7(a) Obtaining Published Information. - Anyone may subscribe to the Federal Reserve Bulletin at the standard rate, which is published in the Bulletin. A copy of each issue of the Bulletin is sent to each member bank. Current or back issues of the Bulletin, Annual Report, rules, regulations, or other published information may be examined at the offices of the Board or any Federal Reserve Bank, and copies, if in stock, will be supplied by the Board at small cost or no cost.

"(b) Government Agencies, etc. - The Board, directly or through such persons as it may designate, (1) makes available to each State member bank a copy of the report of the regular examination of the bank and, when the Board deems it in the public interest, may furnish such bank other information pertaining to its affairs; and (2) may make available to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, certain other agencies of the United States, and any authority having general supervision of a State bank, copies of reports of examination and other information, for use where necessary in the performance of their official duties: Provided, That all reports or other information furnished under (1) or (2) shall remain the property of the Board and under no circumstances shall any person or authority to whom the information is made available, nor any officer, director, or employee thereof, disclose or otherwise make public any such information except in official publications of general statistical reports which are not in such detail as to disclose the affairs of any person.

"(c) Other Applications, Requests or Submittals. - Other applications, requests and submittals, including requests for access to unpublished information of the Board, should be sent to the appropriate Federal Reserve Bank, which will forward them to the Board when necessary. It is preferable and more convenient for all concerned to send applications, requests or submittals to the Reserve Bank in the first instance, and the Board requests all persons to follow this procedure.

"When applicable, the forms specified in section 5(b) of the Board's Rules of Procedure shall be used. In the case of all other applications or requests, including requests for access to unpublished information, the application, in addition to being signed by the person making it or his duly authorized agent, shall, in so far as practicable, clearly, completely and concisely state the full

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name and address of the applicant, the facts involved (including the purposes for which any unpublished information requested will be used if made available), the action requested, the applicant's interest in the matter, and the reasons why the request should be granted. Copies of any form prescribed in section 5(b) of the Rules of Procedure, and further details regarding those forms or the matter to be included in any application, request or submittal, may be obtained from the Federal Reserve Banks.

"UNPUBLISHED INFORMATION

"Sec. 8(a) General Rule Regarding Unpublished Information. - Except as authorized by the Board, no person, whether or not an officer or employee of the Board or of a Federal Reserve Bank, shall disclose or permit the disclosure of any unpublished information of the Board to anyone (other than an officer or employee of the Board or of a Federal Reserve Bank properly entitled to such information for the performance of his official duties), whether by giving out or furnishing such information or copy thereof or allowing any person to inspect, examine or copy such information or copy thereof or otherwise. For the purpose of these rules, 'unpublished information of the Board' includes all information or advice (including any examination report, or related information, in connection with examinations made by examiners selected or approved by the Board), which is not published in the Federal Register, Federal Reserve Bulletin, or elsewhere, and which comes to the Board or to any officer, employee, or agent thereof (including any Federal Reserve Bank, or officer, agent, or employee thereof) in the performance of duties for or on behalf of the Board, whether contained in files, memoranda, documents, reports, books, accounts, records, or papers, or acquired by any such officer, employee, or agent in the performance of such duties, and whether located in the Board's files, at a Reserve Bank, or elsewhere.

"(b) Disclosure of Certain Grants of Permission or Authority. - The approval by the Board of an application of a State bank for membership in the Federal Reserve System, the granting of permission to establish a branch or to exercise trust powers, and other similar grants of permission or authority by the Board may not in all cases be of sufficient general interest to justify publication, but the fact that the Board has granted such approval, permission or authority in such cases will at the appropriate time be disclosed to any person upon request made in accordance with section 7(c)

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of these rules, to the extent that such disclosure would not conflict with the principles stated in section 8(d) of these rules.

"(c) Certain Unpublished Information Not Disclosed. -

For the reasons and good cause found as set forth in section 8(d) of these rules, and except as provided in section 7(b) or 8(b) of these rules, the Board will not make available or otherwise disclose in response to requests any unpublished information of the Board, whether or not a matter of official record within the meaning of the Administrative Procedure Act, if such information relates to any of the following:

"(1) Examinations, investigations, inspections, or reports of any particular bank or affiliate thereof, broker, finance company, or other person engaged, or proposing to engage, in the business of extending any kind of credit or in the business of a holding company affiliate; or information concerning the business, personal or financial affairs of any such person or of anyone employed by or doing business with any such person.

"(2) Proceedings in connection with the consideration of (i) the removal of a director or officer of a member bank pursuant to section 30 of the Banking Act of 1933, (ii) the granting of approval or permission for a bank to establish a branch or exercise trust powers, (iii) the granting or termination of membership in the Federal Reserve System, (iv) the granting or revocation of a voting permit to a holding company affiliate, (v) the suspension from the use of the credit facilities of the Federal Reserve System pursuant to section 4 of the Federal Reserve Act, or (vi) the granting or termination of permission or authority in other cases in which public hearing is not required by statute or Board regulations.

"(3) The determination of policies concerning discount rates, reserve requirements, open-market operations, interest rates, margin requirements, consumer credit controls, or other matters of monetary, fiscal or credit policy.

"(4) Relations between the Board and any Federal Reserve Bank, activities of any Reserve Bank for any agency of the United States or for any international organization, and internal operations of the Board or any Reserve Bank, including, among other things, any matters of administration.

"(5) Relations with, or activities that affect relations with, any foreign bank, banker or country.

"(6) Any other matter as to which the Board, in a particular case, determines that, in the public interest and for the reasons stated in section 8(d), the information should not be disclosed.

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"(d) Reasons for Non-disclosure. - The public interest requires that certain unpublished information, as mentioned above, be not disclosed. For the following good cause found, such non-disclosure is a manifest need in order that the Board may achieve the due execution of its authorized functions:

"(1) The Board's investigating, examining and information-gathering functions, and the appropriate safeguarding of information regarding such functions, are essential to the proper enforcement of the legislation it administers.

"(2) In connection with its activities described in section 8(d)(1), its proceedings as more fully specified in section 8(c)(2), and its other activities in the field of monetary, fiscal and credit policy, the Board necessarily has much information that is secret or confidential or that relates solely to the internal management of the Board or of other Government agencies. This includes advice and other information received by the Board from its staff, other Government agencies, the Reserve Banks, and others. It also includes information concerning the business, personal, and financial affairs of individual banks and their holding company and other affiliates, brokers, finance companies, and other extenders of credit, and also concerning such affairs of persons employed by or doing business with them. Improper disclosure of such information would:

"(i) Permit speculators and others to interfere with the Board's actions taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country;

"(ii) Permit speculators and others to reap unfair profits and other unfair advantages by speculative trading in securities and otherwise;

"(iii) Unreasonably and unnecessarily disturb and interfere with individual privacy and confidential business relations;

"(iv) Interfere with the orderly execution and accomplishment of the objectives of policies adopted by other Government agencies concerned with economic and fiscal matters;

"(v) Impede the Board's necessary collection of information and advice, much of which cannot

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be obtained except on a confidential and voluntary basis; and

"(vi) Cause misinterpretations and misunderstandings as to the Board's policies and purposes, and as to the status of particular financial institutions, with resulting disturbance of securities markets and impairment of public confidence in individual institutions or in the nation's financial structure.

"(3) Relations of the Board, of the Federal Reserve Banks, or of other banks, with foreign banks, bankers or countries involve matters of foreign affairs. Other activities of the Board and of the Reserve Banks influence the flow of gold and of dollar balances to or from foreign countries, with vital effects upon such countries and the United States. Improper disclosures regarding such matters would interfere with the orderly conduct of the foreign affairs of the United States.

"(4) Unpublished information regarding personnel or other matters of the Board's internal administration could be of no proper benefit to other persons; and its improper disclosure would needlessly interfere with the privacy of the Board's personnel, with their performance of duties for the Board, and with the Board's necessary functions.

"(5) The Federal Reserve Banks stand in a peculiarly close relationship to the Board. In addition to their other important functions, they act in many matters as the Board's field representatives, and give the Board much valuable advice and assistance on both local and national problems. The Reserve Banks also perform certain functions for various agencies of the United States and certain international organizations. Improper disclosure of information regarding the Board's supervision and regulation of the Reserve Banks, its relations with them, or their activities for agencies of the United States or for international organizations, would damage the public interest in the manner described in sections 8(d)(1), (2), (3), and (4) of these rules.

"SUBPOENA OF OFFICERS

"Sec. 9(a) Advice by Person Served. - If any person, whether or not an officer or employee of the Board or of a Federal Reserve Bank, has unpublished information of the Board and in connection therewith is served with a subpoena,

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"order, or other process requiring his personal attendance as a witness or the production of documents or information upon any proceeding, he shall promptly advise the Board of such service and of all relevant facts, including the documents and information requested and any facts which may be of assistance to the Board in determining whether such documents or information should be made available; and he shall take action at the appropriate time to advise the court or tribunal which issued the process, and the attorney for the party at whose instance the process was issued, if known, of the substance of these rules.

"(b) Appearance by Person Served. - Except as the Board has authorized disclosure of the relevant information, or except as provided in section 22(b) of the Federal Reserve Act, any such person who has unpublished information of the Board and is required to respond to a subpoena or other legal process shall attend at the time and place therein mentioned and respectfully decline to produce any documents or disclose any information or give any testimony with respect thereto, basing his refusal upon these rules. If, notwithstanding, the court or other body orders the production of any documents, disclosure of any information, or giving of any testimony, the person having such unpublished information of the Board shall promptly report the facts to the Board."

"RULES OF PROCEDURE

"Effective September 11, 1946

"BASIS AND PURPOSE

"Sec. 1. - These rules are issued by the Board of Governors of the Federal Reserve System (hereinafter sometimes called the Board) pursuant to the Administrative Procedure Act and other relevant provisions of law, including the Federal Reserve Act. As specified in section 3(a)(2) of the Administrative Procedure Act, these rules state 'the general course and method by which' the Board's 'functions are channeled and determined, including the nature and requirements of all formal or informal procedures available as well as forms and instructions as to the scope and contents of all papers, reports, or examinations'. The rules relate to the consumer credit functions of the Board exercised pursuant to the President's Executive Order No. 8843, dated August 9, 1941, as well as to the other functions of the Board.

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"PROCEDURE FOR REGULATIONS

"Sec. 2(a) Notice. - General notice of proposed making of regulations (including amendments thereto) will be published in the Federal Register, except as specified in section 2(e) of these rules or otherwise excepted by law. The notice will include either the terms or substance of the proposed regulation or a description of the subjects and issued involved; but the giving of such notice does not indicate Board approval of any feature of any proposal. The notice will also include a reference to the authority for the proposed regulation and a statement of the time, place and nature of public participation.

"(b) Public participation. - The usual method of public submission of data, views or arguments shall be in writing. Although submittals or requests may be sent directly to the Board, it is preferable that they be sent to the appropriate Federal Reserve Bank, which will forward them to the Board. The locations of the 12 Federal Reserve Banks and the boundaries of the Federal Reserve districts are shown in Appendix A of the Board's Rules of Organization.

"(c) Preparation of Draft and Action by Board. - In the light of consideration of all relevant matter presented or ascertained, the Legal Division, in collaboration with other appropriate divisions of the Board's staff, will prepare drafts of proposed regulations or amendments, and the staff will submit them to the Board with recommendations. The Board in due course will take such action as it deems warranted in the circumstances and appropriate in the public interest. Any other documents that may be necessary to carry out any decision by the Board in the matter will be prepared by the Legal Division, in collaboration with the other appropriate divisions of the staff.

"(d) Effective Dates. - Any regulation (including any amendment) issued by the Board will be published or served not less than thirty days prior to the effective date thereof, except as specified in section 2(e) of these rules or otherwise excepted by law.

"(e) Exceptions as to Notice or Effective Date. - For one or more of the reasons hereinafter indicated, in certain situations either or both of the following is true: (1) Notice and public participation are impracticable, unnecessary, contrary to the public interest, or otherwise not required in the public interest, or (2) there is reason and good cause in the public interest why the effective date

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"should not be deferred for 30 days. The reason or reasons in such cases usually are that such notice, public participation or delay would prevent the action from becoming effective as promptly as necessary in the public interest, would permit speculators or others to reap unfair profits or to interfere with the Board's actions taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country, would provoke other consequences contrary to the public interest, would unreasonably interfere with the Board's necessary functions with respect to management or personnel, would not aid the persons affected, or would otherwise serve no useful purpose. The following may be mentioned as some examples of situations in which such advance notice or such deferred effective date, or both, will ordinarily be omitted in the public interest: The review and determination of discount rates established by Federal Reserve Banks, and changes in general requirements regarding reserves of member banks, interest rates, credit for purchasing or carrying securities, or consumer credit.

"ADJUDICATIONS WITH FORMAL HEARING

"Sec. 3. - In adjudications which a statute or the Board's regulations require to be preceded by opportunity for hearing, the procedure shall be as set forth in Appendix A hereof, entitled 'Rules of Practice for Formal Hearings'. Among the examples of such adjudications are: Termination of a bank's membership in the Federal Reserve System, removal of a bank official under section 30 of the Banking Act of 1933, suspension of a license under Regulation W, revocation of a voting permit of a holding company affiliate, suspension from the use of the credit facilities of the Federal Reserve System pursuant to section 4 of the Federal Reserve Act, and issuance of a cease and desist order under section 11 of the Clayton Act.

"ACTION ON APPLICATIONS OR REQUESTS, AND SIMILAR MATTERS

"Sec. 4(a) Kinds of Applications. The Board receives various applications and requests as to which neither statute nor Board regulation requires an opportunity for hearing. Among the examples are: Requests for the issuance, amendment or repeal of regulations, requests for access to unpublished information, requests for interpretations, and applications for permission or authority to exercise certain powers or

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"privileges (such as for membership in the Federal Reserve System, for a voting permit to a holding company affiliate, for a bank to establish a branch, or for a national bank to exercise trust powers).

"(b) Form of Application. - The forms specified in section 5(b) of these rules for certain applications shall be used where applicable. In all other cases the application or request, in addition to being signed by the person making it or his duly authorized agent, shall, in so far as practicable, clearly, completely and concisely state the full name and address of the applicant, the facts involved (including the purposes for which any unpublished information requested will be used if made available), the action requested, the applicant's interest in the matter, and the reasons why the request should be granted. Copies of any form prescribed in section 5(b), and further details regarding those forms or the matter to be included in any application may be obtained from the Federal Reserve Banks.

"(c) Procedure. - Applications or requests should be sent to the appropriate Federal Reserve Bank, which will forward them to the Board when necessary. When appropriate, the Reserve Bank will make an investigation and report the relevant facts, with its recommendation, to the Board. It is preferable and more convenient for all concerned to send applications or requests to the Reserve Bank in the first instance. The Board requests all persons to follow this procedure, as it usually facilitates prompt preparation of recommendations by the staff, and action by the Board. The locations of the 12 Federal Reserve Banks and the boundaries of the Federal Reserve districts are shown in Appendix A of the Board's Rules of Organization.

"(d) Recommendations by Staff. - In the light of consideration of all relevant matter presented or ascertained, the appropriate divisions of the Board's staff will prepare and submit to the Board recommendations on the subject. The Board in due course will take such action as it deems warranted in the circumstances and appropriate in the public interest. Such documents as may be necessary to carry out any decision by the Board are prepared by the staff.

"(e) Notice of Granting or Denial. - Prompt notice will be given to the applicant of the granting or denial in whole or in part of any written application or request of any interested person made in connection with any Board proceeding. In the case of any denial, except in affirming a prior denial or where the denial is self-explanatory,

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"such notice will be accompanied by a simple statement of procedural or other grounds.

"(f) Action at Board's initiative. - When the Board, without receiving an outside application or request, is acting in matters in which opportunity for hearing is not required by statute or Board regulation, similar procedure will be followed, including investigations, reports and recommendations by the staff and by the Reserve Banks, where appropriate.

"APPEARANCES, FORMS

"Sec. 5(a) Appearance and Practice. - Appearance and practice before the Board in all matters shall be governed by Rule I of Appendix A hereof.

"(b) Forms. - The following forms, which are available at the Federal Reserve Banks, shall be used for the purpose indicated:

- "Form 30 Application for Federal Reserve Bank Stock--
Organizing National Bank
- " 30a Application for Federal Reserve Bank Stock--
Nonmember State Bank Converting into National Bank
- " 56 Application for Adjustment in Holdings of Federal
Reserve Bank Stock (except by mutual savings banks)
- " 56a Application of Mutual Savings Bank for Adjustment
in Holdings of Federal Reserve Bank Stock
- " 61 Application of National Bank for Trust Powers
- " 61b Supplementary Application of National Bank for
Additional Trust Powers
- " 83 Application for Membership in the Federal Reserve
System (cover sheet)
- " 83A Application for Membership in the Federal Reserve
System (State Banks Except Mutual Savings Banks)
- " 83B Application for Membership in the Federal Reserve
System (Mutual Savings Banks Authorized to Pur-
chase Stock in Federal Reserve Bank)
- " 83C Application for Membership in the Federal Reserve
System (Mutual Savings Banks Not Permitted to Sub-
scribe for Stock in Federal Reserve Bank)
- " 83D Application for Stock in the Federal Reserve Bank
(Mutual Savings Bank admitted to membership upon
deposit of appropriate amount with Federal Reserve
Bank and now permitted to subscribe for Federal
Reserve Bank stock under laws under which organized)
- " 83E Certificate of Directors and Cashier
- " 86 Application for Cancellation of Federal Reserve
Bank Stock--Liquidating Member Bank

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- "Form 87 Application for Cancellation of Federal Reserve Bank Stock--Insolvent Member Bank
- " 105 Report of Condition of State Member Bank
- " 105a Instructions for Preparation of Condition Reports on Form 105 by State Bank and Trust Company Members of the Federal Reserve System
- " 105b Schedule O--Loans and Advances to Affiliates and Investments in and Loans Secured by Obligations of Affiliates
- " 105e (Form 105e-1)-- Report of Condition of State Member Bank (Publisher's Copy)
- " 107 Report of Earnings and Dividends of State Member Banks (Calendar year)
- " 107a Instructions for Preparation of Reports of Earnings and Dividends by State Member Banks
- " 107b Report of Earnings and Dividends of State Member Banks for 6 month period
- " 150 Application for Approval and Reservation of Title of a Corporation Proposed to Be Organized under the Terms of Section 25(a) of the Federal Reserve Act
- " 151 Articles of Association--Banking Corporations Authorized to Do Foreign Banking Business under Section 25(a) of the Federal Reserve Act
- " 152 Organization Certificate--Banking Corporations Authorized to Do Foreign Banking Business under Section 25(a) of the Federal Reserve Act
- " 220 Report of an Affiliate or Holding Company Affiliate of a Member Bank
- " 220a Report of an Affiliate or Holding Company Affiliate of a Member Bank (Publisher's Copy)
- " 220b Instructions for Preparation of Reports of Affiliates and Holding Company Affiliates of Member Banks (on Forms 220 and 220a)
- " 240 Report of Member Firm of a National Securities Exchange
- " 314 Report of Condition by Foreign Banking Corporation (semiannual)
- " 319 Confidential Department Store Sales Report Card
- " 414 Computation of Reserve to Be Carried with Federal Reserve Bank by Member Bank
- " 416 Weekly Condition Report of Member Banks in Leading Cities
- " 437 Annual Report of Holding Company Affiliates
- " 467 Interest Rates Charged on Commercial and Industrial Loans

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- "Form 563a Registration Statement under Regulation W
(Consumer Credit)
- " 564a Statement of Borrower under Regulation W
(Specimen Form, Registrant may use own form
instead)
- " 565 Statement of Necessity under Regulation W to Pre-
vent Undue Hardship (Specimen Form, Registrant
may use own form instead)
- " 571 Commercial Bank Report of Consumer Instalment
Credit
- " 573 Monthly Report of Bank Debits
- " 585 Industrial Bank Monthly Report (Consumer Credit)
- " 585a Small Loan Company Monthly Report (Consumer Credit)
- " 585b Federal Credit Union Monthly Report (Consumer
Credit)
- " 585c State Credit Union Monthly Report (Consumer Credit)
- " 585e Industrial Loan Company Monthly Report (Consumer
Credit)
- " 595 Annual Retail Credit Survey
- " 618 Retail Jewelry Store Monthly Report (Consumer
Credit)
- " 619 Retail Household Appliance Monthly Report
(Consumer Credit)
- " 624 Monthly Survey of Sales--Finance Companies
(Consumer Credit)
- " 631 Monthly Commercial Bank Report of Consumer
Instalment Credit
Retail Furniture Stores Monthly Report (Con-
sumer Credit)
Department Stores Monthly Report (Consumer
Credit)
- " P-1 Deposit Survey (Semi-Annual) (R & S 909)
Application for a Voting Permit under Section
5144, Revised Statutes (Holding Company Affi-
liate)
- " P-2 Exhibit C--Resolution of Board of Directors or
Other Governing Body of Applicant
- " P-3 Exhibit L--Agreement to Permit Examinations
- " P-4 Exhibit N--Authorization to Furnish Information
- " P-5 Exhibit P--Agreement by Holding Company Affiliate
of State Member Bank to Accept Provisions of
Section 5144, Revised Statutes
- " P-6 Exhibit Q--Agreement by Holding Company Affiliate
(of State Bank Applying for Membership in Federal
Reserve System) to Accept Provisions of Section
5144, Revised Statutes

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- "Form T-1 Agreement, Resolution, Certificate--to Qualify under Section 8(a) of the Securities Exchange Act of 1934
- " T-2 Agreement, Resolution, Certificate--to Qualify under Section 8(a) of the Securities Exchange Act of 1934 (Bank with Principal Place of Business outside 48 States of United States)

"APPENDIX A"RULES OF PRACTICE FOR FORMAL HEARINGS"RULE I"APPEARANCE AND PRACTICE BEFORE THE BOARD

"(a) No register of attorneys or agents who may practice before the Board is maintained. No application for admission to practice is required. Any person desiring to appear before or transact business with the Board in a representative capacity may be required to file a power of attorney with the Board showing his authority to act in such capacity, and he may be required to show to the satisfaction of the Board that he is properly qualified.

"(b) Any person appearing before or transacting business with the Board in a representative capacity, or desiring so to act, may for cause, sufficient in the judgment of the Board, be suspended or disbarred from so doing.

"(c) Contemptuous conduct at any hearing before the Board, any member thereof, or a trial examiner shall be ground for exclusion from any hearing and for summary suspension for the duration of any hearing or for such further period as the Board may prescribe.

"RULE II"NOTICE OF HEARINGS

"Whenever a hearing is ordered by the Board in any proceeding, notice of such hearing shall be given to the party or parties to the proceeding by the Secretary of the Board or such other person as the Board may designate for the purpose. Such notice shall be given by serving a copy of the Order for Hearing in accordance with Rule XII a reasonable time in advance of the hearing. In any proceeding, the Board may make amendments to the Order for Hearing.

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"RULE III

"HEARINGS FOR THE PURPOSE OF TAKING EVIDENCE

"(a) Hearings for the purpose of taking evidence shall be held as ordered by the Board, and the Board may provide for such a hearing to be held before a duly designated officer, herein referred to as a trial examiner.

"(b) All such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public.

"(c) All such hearings shall be stenographically reported and a transcript thereof shall be made which shall be a part of the record of the proceeding. Transcripts will be supplied to a respondent or respondents (and to any person applying therefor if the Board has ordered the hearing to be public) at the prescribed rates.

"(d) A trial examiner may at any time withdraw if he deems himself disqualified; and, upon filing in good faith of a timely and sufficient affidavit of personal bias or disqualification of the trial examiner, the Board will determine the matter as a part of the record and decision in the case.

"(e) Except as permitted by the Administrative Procedure Act, the trial examiner shall not consult any person or party on any fact in issue unless upon notice and opportunity for all parties to participate, nor be responsible to or subject to the supervision or direction of any officer, employee, or agent engaged in the performance of investigative or prosecuting functions.

"(f) The trial examiner shall have authority in connection with the hearing to administer oaths and affirmations, rule upon offers of proof and receive relevant evidence, regulate the course of the hearing, hold conferences for the settlement or simplification of the issues by consent of the parties, dispose of procedural requests or similar matters, certify any question to the Board (at his discretion or at the Board's direction) for its consideration and disposition, and take other action consistent with the rules or regulations of the Board and other requirements of law.

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"(g) Any oral or documentary evidence may be received, except that irrelevant, immaterial, or unduly repetitious evidence shall be excluded.

"(h) Objections to the admission or exclusion of evidence shall be in short form, stating the grounds of objections relied upon, and the transcript shall not include argument or debate thereon except as ordered by the Board or the trial examiner. Rulings on such objections shall be a part of the transcript except as the Board may otherwise require with respect to a particular ruling. Exception to any such ruling must be noted before the trial examiner in order to be urged in the consideration of the matter by the Board, except as otherwise permitted by the Board.

"(i) The Board or trial examiner may call for the production of further evidence upon any issue, and, upon appropriate notice, the trial examiner may reopen any hearing at any time prior to his report or the Board may reopen any hearing at any time prior to its order disposing of the procedure.

"(j) Subpoenas requiring the attendance of witnesses from any place in the United States at any designated place of hearing, or requiring the production of documentary evidence, will be issued only by the Board and as authorized by law. Application may be made either to the Secretary or to the presiding trial examiner, who will report to the Board. Such application must be in writing and must state, as definitely as practicable, the reasonable scope of the evidence sought (reasonably identifying any document desired) and the facts to be proved thereby, in sufficient detail to indicate the materiality and relevance thereof.

"(k) Witnesses summoned by the Board at the request of the respondent or of counsel for the Board will be paid the same fees and mileage that are paid to witnesses in the courts of the United States, unless the Board otherwise directs. Such payments as witnesses may be entitled to receive under this section shall be made by the party at whose instance the witnesses appear.

"RULE IV

"CONTINUANCES, CHANGES, EXTENSIONS OF TIME

"Except as otherwise expressly provided by law, the Board may by the Order for Hearing or otherwise provide time

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"limits different from those specified in these rules, may on its own motion or for cause shown extend any time limits prescribed by these rules or an Order for Hearing, and may continue or adjourn any hearing. Each hearing shall begin at the time and place ordered by the Board, but thereafter may be successively adjourned to such time and place as may be ordered by the Board or by the trial examiner.

"RULE V

"PROPOSED FINDINGS AND CONCLUSIONS

"(a) Following any hearing before a trial examiner the transcript of the testimony shall forthwith be filed with the Secretary of the Board.

"(b) Within 15 days after the filing of the transcript with the Secretary of the Board (or within 15 days after the party's receipt of a copy of such transcript, if the party has ordered a copy promptly at the conclusion of the hearing), any party or counsel to the Board may submit to the trial examiner a statement in writing setting forth proposed findings and conclusions, which may be accompanied by a brief in support thereof. If a party or counsel to the Board submits any such proposed findings or conclusions or briefs, he shall as promptly as practicable furnish copies thereof to the opposing side. All such proposed findings or conclusions shall be a part of the record.

"RULE VI

"TRIAL EXAMINER'S REPORT

"(a) The trial examiner, within 15 days after the expiration of the time allowed for filing proposed findings and conclusions, or within such different period as the Board may prescribe, shall file with the Secretary of the Board his report containing his recommended decision.

"(b) A copy of such report shall be forthwith served on each party and on counsel to the Board by the Secretary of the Board or such other person as the Board may designate for the purpose.

"RULE VII

"EXCEPTIONS

"(a) Within 15 days after receipt of a copy of the trial examiner's report, any party or counsel to the Board may file

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"exceptions to the recommended decision of the trial examiner or any portion thereof, or to his failure to follow a proposed finding or conclusion, or to the admission or exclusion of evidence; and within such period he may file a brief in support of his contentions and exceptions. A copy of such exceptions and briefs shall be forthwith served on each party and on counsel to the Board by the Secretary of the Board or such other person as the Board may designate for the purpose. Exceptions shall be argued only at the final hearing, if any, on the merits before the Board or one or more members thereof.

"(b) Objections to the recommended decision of the trial examiner or to his failure to follow a proposed finding or conclusion not saved by exception filed pursuant to Rule VII will be deemed to have been abandoned and may be disregarded. Objections to the admission or exclusion of evidence not saved by exception at the time of the hearing for the purpose of taking evidence and included in the exceptions filed pursuant to Rule VII will be deemed to have been abandoned and may be disregarded.

"(c) Exceptions not briefed in accordance with Rules VII and VIII may be regarded by the Board as waived.

"RULE VIII

"BRIEFS

"(a) All briefs shall be confined to the particular matters in issue. Each exception or proposed finding or conclusion which is briefed shall be supported by a concise argument and by citation of such statutes, decisions and other authorities, and by page references to such portions of the record, as may be relevant. If the exception relates to the admission or exclusion of evidence, the substance of the evidence admitted or excluded shall be set forth in the brief with appropriate references to the transcript.

"(b) Within 10 days after receipt of an original brief any party or counsel to the Board may file a reply brief, which shall be confined to matters in the original brief of the opposing party. Copies of any such reply brief shall be filed and served or furnished the opposing party in the same manner as specified for the original brief.

"(c) Briefs not filed on or before the time fixed in these rules will be received only upon special permission of the Board.

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"RULE IX

"APPEARANCE BEFORE BOARD OR BOARD MEMBERS

"Upon written request of any party or of counsel to the Board, the Board may, if it deems such action appropriate, order the matter to be set down for oral argument before the Board, or one or more members thereof. Such request must be made within the time provided for filing the original briefs.

"RULE X

"TAKING EVIDENCE BEFORE BOARD OR MEMBER THEREOF

"Instead of hearings for the purpose of taking evidence before a trial examiner as specified in Rule III(a), such hearings may, as the Board determines, be held before the Board, one or more of its members, or more than one trial examiner. Hearings so held shall be subject to the same procedure as that applicable under these rules to hearings before a trial examiner, except that the Board and members thereof are not subject under the law to the requirements regarding separation of functions and, with respect to hearings before the Board, the trial examiner's report referred to in Rule VI and the related exceptions and briefs referred to in Rule VII will be omitted.

"RULE XI

"FILING PAPERS, DOCKET, COMPUTATION OF TIME

"(a) All reports, exceptions, briefs, and other papers required to be filed with the Board in any proceeding shall be filed with the Secretary. Any such papers may be sent to him by mail or express, but must be received by him in the office of the Board in Washington, D. C., within the time limit, if any, for such filing.

"(b) Unless and until otherwise ordered by the Board, the Order for Hearing, the transcript, the report of the trial examiner, exceptions thereto, proposed findings or conclusions, and briefs in support of such proposals or in support of or in opposition to such exceptions, and other papers which are filed in connection with any hearing shall not be made public, and shall be for the confidential use only of the Board, appropriate members of its staff, the respondent or respondents, and counsel.

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"(c) In computing any period of time prescribed or allowed by these rules or by order of the Board, the day of the act, event, or default after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Saturday, Sunday or a legal holiday in the District of Columbia, in which event the period runs until the end of the next day which is not a Saturday, Sunday, or holiday in the District of Columbia. Intermediate Saturdays, Sundays and holidays shall be included in the computation. A half-holiday shall be considered as other days and not as a holiday.

"(d) The Order for Hearing may provide for the number of copies of papers to be filed.

"RULE XII

"SERVICE OF REPORTS, EXCEPTIONS, BRIEFS, AND OTHER PAPERS

"All reports, exceptions, briefs, proposed findings or conclusions, or other documents or papers required by these rules to be served on any party to a proceeding, or on counsel to the Board, shall be served by the Secretary of the Board or such other person as the Board may designate for the purpose. Such service, except on counsel to the Board, shall be made by personal service on the party or his attorney of record, by registered mail addressed to the party or his attorney of record, or by other appropriate means specified by the Board. Service by registered mail shall be deemed to be made as of the date of receipt by the person addressed.

"RULE XIII

"FORMAL REQUIREMENTS AS TO PAPERS FILED IN PROCEEDINGS

"(a) All papers filed under these rules shall be typewritten, mimeographed, or printed.

"(b) All papers shall be signed by the party filing the same, or his duly authorized agent or attorney, or counsel to the Board, and, except in the case of counsel to the Board, must show the address of the signer.

"(c) All papers filed shall include at the head thereof, or on a title page, the name of the Board, the names of the parties, and the subject of the particular paper or pleading."

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In connection with the proposal that the Office of Administrator for War Loans be abolished and its functions transferred to the Division of Bank Operations, it was stated that the work of the office was largely completed, and that the employees in the office could well be transferred to, and the work remaining to be done could very well be handled by, the Division of Bank Operations as Mr. Smead had served in the dual capacity as the Director of the Division and as Administrator for War Loans.

Thereupon, upon motion by Mr. Szymczak, and by unanimous vote, the Office of Administrator for War Loans was abolished, effective immediately, and all employees, functions, and duties remaining in that office, as well as the budget for the office for the remainder of the current year, were transferred to the Division of Bank Operations as a part of that Division.

Upon motion by Mr. Szymczak, and by unanimous vote, the rules of organization and rules of procedure as set forth above were adopted to become effective September 11, 1946, and their publication in the Federal Register and their printing for use in accordance with the requirements of the Administrative Procedure Act were approved.

In taking this action it was understood that the adoption of the rules made no change in the present existing authority of members of the staff with respect to giving out unpublished information.

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Unanimous approval was also given to the following letter to the Presidents of the Federal Reserve Banks:

"The Board has adopted Rules of Organization and Rules of Procedure pursuant to section 3 of the Administrative Procedure Act. These rules become effective September 11, 1946, and mimeographed copies are enclosed herewith. They will be published in the Federal Register and will also be printed for distribution to interested persons.

"These rules may not be of as wide interest as some of the Board's regular regulations; and in order to aid us in determining the number necessary to be printed, it will be appreciated if you will advise by wire the number which you anticipate your bank may need.

"Some very helpful suggestions were received in response to the Board's letter to the Federal Reserve Banks submitting the drafts of these rules for comment, and the Board appreciates the careful consideration which all the Banks gave to the drafts. The rules as adopted include most of the suggestions of the Reserve Banks, some being included in the form in which suggested and others being incorporated in a different way.

"The attached memorandum outlines certain considerations in connection with some of the suggestions which for various reasons it did not seem advisable to incorporate fully in the final rules. The references in the memorandum to the provisions regarding nondisclosure of information and compliance with subpoenas may be of special interest."

Mr. Vardaman stated that, when all the members of the Board had returned from their vacations in October, he would like to have a discussion at a meeting of the Board of the 100% margin requirements prescribed by the Board in the amendments to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, which became effective on January 21, 1946.

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It was agreed that Mr. Draper, whose assignments for primary consideration included the extension and maintenance of credit for purchasing and carrying securities, should review the question of margin requirements and prepare a statement for consideration by the Board at a meeting to be held in October.

Mr. Vest stated that yesterday Chairman Eccles and he had luncheon with Mr. Herzog, Chairman of the National Labor Relations Board, and Mr. Van Arkel, Assistant General Counsel to that Board, at which time there was a full and frank discussion of the question now before the National Labor Relations Board whether the National Labor Relations Act applies to the Federal Reserve Banks. Mr. Herzog stated, Mr. Vest said, that no decision had been made by his Board on the question, that it was a very difficult problem, and that the members of the Board were pondering whether they should decide it or whether there should be a decision in the courts. Mr. Vest also said that Mr. Herzog asked the Board of Governors to consider whether, if the decision of the National Labor Relations Board should be that the Act did apply to the Reserve Banks, the proceedings should be returned to the regional office for further steps in the usual course, whether there should be a hearing before the National Labor Relations Board, or whether an effort should be made to get a stipulation of the facts which would be agreed to by the Federal Reserve and the labor union. Mr. Vest added that Mr. Herzog said that his Board would not take further action until it heard further from the Board of Governors on that question. It was Mr. Vest's tentative view

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that it would be difficult if not impossible to get agreement on a stipulation of facts, that if there were an agreement nothing new would be developed which would influence a decision by the National Labor Relations Board, and that, therefore, it would be better if that Board would reach a decision on the case as submitted. He also felt that, if the decision were adverse to the position taken by the Board of Governors, a decision could then be made by the Board and the Federal Reserve Bank of Dallas on the further steps that should be taken.

All of the members of the Board expressed agreement with Mr. Vest's view, and it was understood that at the appropriate time the Legal Division would so advise counsel for the National Labor Relations Board.

Chairman Eccles stated that he was leaving for Utah on Friday of this week and would be away most of the month of September, that Mr. Ransom would not return until the last of August or the first of September, that Mr. Szymczak was leaving today for his assignment in Europe, and that it was suggested that the Board elect a Chairman pro tem to serve in the absence of the Chairman and Vice Chairman during the period that the Chairman was in the West.

Mr. Draper was elected to serve as Chairman, pro tem, in the absence of the Vice Chairman until the return of Chairman Eccles from Utah.

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Reference was then made to a memorandum addressed to the Personnel Committee under date of July 26, 1946, by Messrs. Thomas and Knapp, Director and Assistant Director, respectively, of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, that the Board approve the following changes in the International Section of that Division:

(1) That the International Section be divided into three sections, and, in addition, an Administrative Assistant and staff to be attached directly to the Assistant Director in charge of international work. The three sections would include one on international economic policy (basic analytical research in the international field), one on international financial operations (current operating problems in international finance), and one on foreign country studies (analysis of current developments in foreign countries to be divided into three geographical groups: Europe, Far East, and Latin America). The Administrative Assistant would be responsible for certain regular functions serving all three sections and would assist the Assistant Director in coordinating and integrating the work of the three sections.

(2) That Mr. Lewis Dembitz be appointed Chief of the International Financial Operations Section, and that his salary be increased from the rate of \$7,581 to \$8,778 per annum, effective at the beginning of the first payroll period following approval by the Board.

(3) That Mr. Alexander Gerschenkron be appointed Chief of the Foreign Country Study Section, that his salary be increased from the rate of \$7,102.20 to \$8,179.50 per annum, effective at the beginning of the first payroll period following approval by the Board, and that his appointment be made permanent.

The memorandum also stated that no candidate was available at the present time for Chief of the International Economic Policy Section, and that there would be submitted in due course further recommendations for salary adjustments of employees in the new sections depending upon how responsibilities were assigned.

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The recommendations contained in the memorandum were approved unanimously.

At this point Messrs. Leonard, Nelson, Vest and Young withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 19, 1946, were approved unanimously.

Memorandum dated August 9, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Anna G. Green be appointed as a Clerk in that Division, on a temporary indefinite basis with salary at the rate of \$2,394 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 Miss Green was a member of the Civil Service Retirement System and would remain in that system.

Approved unanimously.

Memorandum dated August 16, 1946, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that the salary of Ruth Jarvis, Maid in that Division, be increased from \$1,888 to \$1,954 per annum, effective August 25, 1946.

Approved unanimously.

Memorandum dated August 16, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons

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stated therein, that the Board authorize the placing of an order with American Amplifier and Television Corporation for the purchase and installation of a deluxe public address system and attachments, and that the appropriate budget classification of the Division be increased by an amount sufficient to cover the estimated cost of approximately \$2,100.

Approved unanimously.

Letter to "The Milroy Banking Company", Milroy, 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. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"This is to acknowledge receipt of Mr. Sanford's letters of August 9 to the Board of Governors and August 6 to Mr. Szymczak, from which the Board notes the plans for the proposed earmarking of gold for the Chemical Bank and Trust Company as collateral for a loan made by that Bank to Banco Central de Bolivia, the gold being part of the Bolivian Bank's holdings with you."

Approved unanimously.

Letter to Mrs. Valerie R. Frank, Secretary of the Retirement Committee, Retirement System of the Federal Reserve Banks, Federal Reserve Bank of New York, reading as follows:

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"At the time the Board Plan was established it was understood that any changes in the Civil Service Retirement Act would be automatically incorporated in the Board Plan unless the Board took specific action to the contrary. Accordingly, two recent amendments to the Civil Service Retirement Act have been made a part of the Board plan.

"These amendments, Public Law 216 and Public Law 265, have the effect of granting full retirement credit for periods of military service without the employee making deposit of his contributions covering such service and without his returning to a civilian position under the Retirement Act.

"The Board also approved the recommendation that the benefits of these amendments apply retroactively to all participants of the Board plan. This means that the required contributions must be recomputed for Herbert Hagler and Jesse Smith and that, as approved by the Board, the voluntary contribution account of Herbert Hagler be increased accordingly and a lump sum payment be made to Jesse Smith.

"Forms 6-A for these and other participants of the Board Plan will be forwarded shortly."

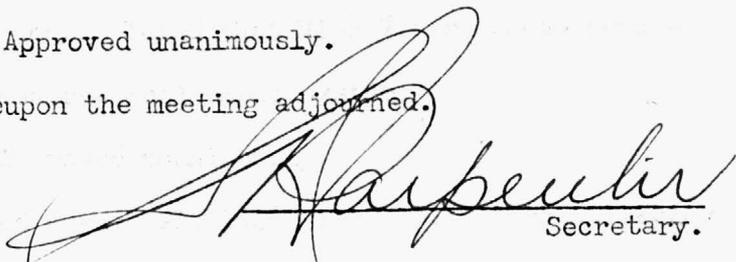
Approved unanimously.

Telegram to Mr. Edgar T. Higgins, Beneficial Management Corporation, 15 Washington Street, Newark, New Jersey, reading as follows:

"Your telegram August 15. Since main result of amendment No. 21 to Regulation W is, for your purposes, a standardization of most loans at a maximum of 15 months, adjustment of your procedures would not appear difficult. Board appreciates problem you raise with respect to advertising. It was realized that amendment might cause inconvenience in some cases but Board felt that objective sought justified decision to make amendment effective September 3."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:

Chairman.