

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 25, 1946.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper

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

As stated in the minutes of October 30, 1946, Mr. Vardaman was absent on official business.

Memorandum dated November 19, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that an increase in the basic salary of Albert R. Koch, an economist in that Division, from \$6,384.00 to \$6,862.80 per annum be approved, effective December 1, 1946.

Approved unanimously.

Memorandum dated November 21, 1946, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that an increase in the basic salary of Sidney Washington, a clerk in Governor Ransom's office, from \$2,257.20 to \$2,394.00 per annum be approved, effective December 1, 1946.

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of November 19, 1946, the Board approves the ap-

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"pointment of Richard I, Gilman as an assistant examiner for the Federal Reserve Bank of Boston. It is noted that you expect Mr. Gilman to report for duty on December 2, 1946. Please advise us the date the appointment actually becomes effective."

Approved unanimously.

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

"Reference is made to the Board's telegram of October 16, 1946, relating to a proposed amendment to the Board's Regulation F.

"Certain additional amendments to the same provisions of Regulation F have since been suggested. These suggestions are -

(1) That the proposed amendment described in the above mentioned telegram be expanded to apply not only to the investment of trust funds in stock of the trustee bank but also to the investment of trust funds in stock of corporations which are affiliates of the trustee bank, or are interests of officers, directors, or employees of the bank, through the exercise of rights accruing to shares of stock of such corporations which are held as trust assets. This suggestion results from the fact that section 11(a) of Regulation F contains the same prohibition against investment in stock of affiliates of the trustee bank and interests of its officers, directors, or employees, as it does with respect to investment in stock of the bank itself.

(2) That the words 'expressly authorized or required' by the instrument creating the trust' be substituted for the words 'expressly required' by the instrument creating the trust' in footnote 12, appended to section 11 of Regulation F.

(3) That footnote 12 be amended by adding a provision to the effect that the prohibition against investment of trust funds by a national bank in its own obligations, which is contained in section 11(a) of Regulation F, shall not apply to the investment of trust funds by deposit

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"in the savings department of the trustee bank or in time certificates of deposit issued by the trustee bank where such investments are specifically authorized by State statutes.

"It will be appreciated if you will forward your comments and recommendations concerning such amendments as soon as practicable."

Approved unanimously, together with similar letters to the Comptroller of the Currency and Mr. Evans Woollen, Jr., President, Trust Division, American Bankers Association, c/o Fletcher Trust Company, Indianapolis 9, Indiana.

Letter to Mr. Thomas F. Kelly, Government Coordinator for The Hoover Company, North Canton, Ohio, reading as follows:

"This refers to your letters of October 21 and November 5, 7 (two), 8, 11, and 14, 1946, regarding the offering of cleaners on a 'free trial' basis by certain vendors.

"We have referred the instances of such offerings you have reported to the Federal Reserve Banks in the districts involved, in the expectation that these Banks, which are charged with enforcement of Regulation W, will want to investigate whether there has been any violation.

"You express the view, in your letter of October 31, that the Federal Trade Commission should investigate the advertisements in question if the cleaners are not in fact being left on trial in violation of Regulation W. As pointed out in our letter of October 18, the 'free trial' offered, in the cases investigated, was found to mean a 'free home demonstration' by the salesman or an offer to exchange a cleaner within 10 days after the sale was consummated. These practices might be interpreted in some sense as a free trial, and neither of them violates the regulation."

Approved unanimously.

Memorandum dated November 22, 1946, from Mr. Hooff, Assistant Counsel, recommending that there be published in the December issue of the Federal Reserve Bulletin statements in the form attached to the

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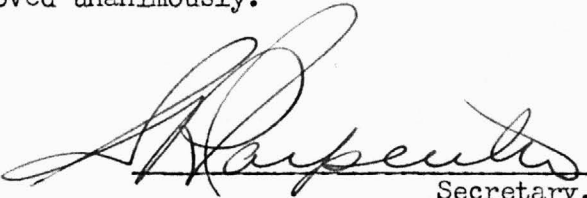
memorandum with respect to the following subjects:


Amendments to Margin Regulations T and U
Rights to Subscribe

Consumer Credit
Revision of Regulation W

Foreign Funds Control
Treasury Department Release

Approved unanimously.


Secretary.

Approved: 
Chairman.