

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 2, 1947.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 29, 1947, were approved unanimously.

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

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of
Copies

- Form F. R. 105 (Call No. 105), Report of condition of State member bank.
- Form F. R. 105a (Revised November 1946), Instructions for the preparation of reports of condition by State member banks.
- Form F. R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.
- Form F. R. 105e (Revised November 1946), Publisher's copy of report of condition of State member bank.
- Form F. R. 105e-1 (Revised November 1946), Publisher's copy of report of condition of State member bank.
- Form F. R. 105j (Schedule J), Maturity distribution of securities other than direct and guaranteed obligations of the United States Government.

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"Form F. R. 220 (Revised August 1946), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised August 1946), Publisher's copy of report of affiliate or holding company affiliate.

Form F. R. 220b (Revised August 1946), Instructions for the preparation of reports of affiliates and holding company affiliates.

"With the exception of the new Schedule J and minor changes in form F. R. 105, all of the forms are the same as those used on December 31, 1946. Schedule J has been added in order to obtain the maturity breakdown of securities other than United States Government obligations. For the present, it is proposed that this information be collected from the banks only at the next call date, but it may be found desirable to collect similar data at three to five-year intervals. No maturity breakdown of these securities is available since the June 1942 call.

"The only changes on form F. R. 105 are (1) the omission of the reference to series A and B bonds in Schedule B, item 4, since these series have matured; and (2) the omission of the parenthetical matter after items 2(a) and 2(b) of Schedule E, since all United States Government deposits will be subject to reserve effective July 1, 1947. In future reports it is expected that the two sub-items will be combined into a single item as they were prior to the June 30, 1943 call.

"As mentioned in the Board's letter of May 26, 1947, no changes are being made in items 2 of Schedule D and 4 of Schedule E at this time. However, special instructions might be given to any member banks in your District which have reciprocal balances with private banks or American branches of foreign banks.

"Since condensed statements of assets and liabilities of member banks by class of bank are being submitted monthly by the Federal Reserve Banks in response to the Board's letter of January 6, 1947 (S-951), it will no longer be necessary to furnish the Board with the summary statement of loans and investments and demand deposits of individuals, partnerships, and corporations heretofore submitted under existing instructions (F.R.L.S. #3642).

"Inasmuch as the Board's copies of reports of condition of State member banks are microfilmed for permanent record,

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"it is suggested that the original copy of typewritten reports be forwarded to the Board rather than the duplicate copies. This supersedes the previously existing request contained in the enclosure with the Board's letter of December 22, 1938 (S-136, F.R.L.S. #3645) insofar as form F. R. 105 is concerned."

Approved unanimously.

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

"This refers to your letter of May 16, 1947 and the enclosed letter from Gaston, Snow, Rice & Boyd, Boston, Massachusetts, regarding a question under Regulation U.

"It appears that Stock Clearing Corporation of Boston, the stock clearing corporation of the Boston Stock Exchange, proposes to broaden its activities to include the financing of odd-lot dealers who are registered as such on the Boston Stock Exchange, such financing to be confined to the securities in which they are so registered. In order to facilitate such financing, it is proposed that the Stock Clearing Corporation become a member of the Boston Stock Exchange and that thereafter such financing be conducted pursuant to section 4(f)(4) of Regulation T.

"The Stock Clearing Corporation also wishes to borrow from banks the funds it would lend to odd-lot dealers, and it wishes to know whether it may obtain such loans pursuant to the exemption contained in section 2(e) of Regulation U. This provision exempts:

'Any loan to a broker or dealer secured by any securities which, according to written notice received by the bank from the broker or dealer pursuant to a rule of the Securities and Exchange Commission concerning the hypothecation of customers' securities (Rule X-8C-1 or Rule X-15C2-1), are securities carried for the account of one or more customers, provided the bank accepts in good faith from the broker or dealer a signed statement to the effect that he is subject to the provisions of Regulation T (or that he does not extend or maintain credit to or for customers except in accordance therewith as if he were subject thereto).'

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"On the basis of the facts presented, it is the view of the Board that section 2(e) would apply to loans by a bank to the Stock Clearing Corporation on securities carried by the Clearing Corporation for an odd-lot dealer under the proposed plan. As applied to the specific questions presented by your enclosure, this means that the bank may make such loans to the Stock Clearing Corporation under the exemption, and that the Clearing Corporation may so borrow."

"It is assumed, of course, that there is compliance with other applicable requirements, including the requirement that the Stock Clearing Corporation may not borrow on registered non-exempted securities except from a member bank of the Federal Reserve System, or a nonmember bank which has filed the agreement specified in section 8(a) of the Securities Exchange Act of 1934 and section 5 of Regulation T."

Approved unanimously.

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

"This is in reply to your letter of May 14, 1947 enclosing a copy of a letter dated May 8, 1947 from The Anglo California National Bank of San Francisco asking the following question relative to the provisions of Regulation W:

'Assuming a car was selling for \$2250, could the dealer sell this automobile with a \$50 down payment, leaving a \$2200 balance, provide for a special payment of \$500 due one day after the date of the contract and the balance repayable in more than 15 months, and accept a "trade-in" for the amount of the \$500 special payment?'

"As you intimate in your letter, this would clearly be a violation of the regulation. Section 6(k) provides that anything which the seller buys from the purchaser 'at or about the time of the purchase of the listed article shall be regarded as a trade-in for the purposes of this regulation.' In the example given, the seller accepts the 'trade-in' for the \$500 special payment at about the time as the new car is sold, and therefore it should be regarded as a trade-in for the purposes of the regulation.

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"The national bank's letter also refers to another type of case which is the same as that described in the above question except that instead of receiving a trade-in for the \$500 payment, the seller receives the \$500 payment in cash 'a few days' after the date of the contract.

"There does not seem to be any reason for applying a different rule in this type of case. Section 6(c)(3) of the regulation refers to 'the purchaser's down payment (i) in cash and (ii) in goods accepted in trade * * *.' This provision recognizes the practice of making the down payment in cash or by trade-in or both, and even without the provision in section 6(k) which refers to a trade-in received 'at or about the time of the purchase' it would be obvious that a down payment, either cash or trade-in, is a down payment whether it be received on the day of the contract or the day of delivery or a few days before or after one of these days. The requirements of the regulation cannot be avoided merely by making a payment one day, or a few days, before or after the day when it would normally be made in the usual course of business. The arrangement described would also be of an evasive character and covered by section 6(i)."

Approved unanimously.

Telegram to Mr. Trimble, Assistant General Counsel of the Federal Reserve Bank of New York, reading as follows:

"Your wire today. In accordance with your request Board authorizes production V-Loan application April 7, 1943 made by Bank of the Manhattan Company for guarantee by Navy Department of loan to Pollak Manufacturing Company in United States District Court in case of United States v. Corrigan, et al."

Approved unanimously.

Letter to Mr. David A. Kosh, Head, Public Utilities Division, Bureau of Federal Supply, Treasury Department, reading as follows:

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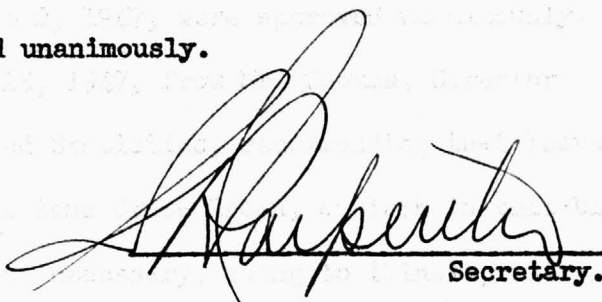
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"We have studied the Final Report on a 'Proposed Inter-City Leased Line Telephone Network to Serve Activities of the Federal Government,' dated April 15, 1947, which you forwarded for our consideration.

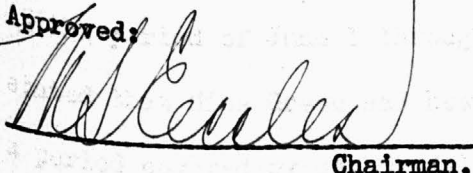
"The Board is very much interested in any plan whereby economy may be effected without detriment to the quality of service. After careful consideration, however, it is felt that any savings which might be realized through this proposed service would be more than offset by a decrease in operating efficiency here, in view of the Board's special requirements which necessitate the use of two private lines. Our calls to other cities are relatively few.

"Although the Board is not interested in participating in the proposed service at this time, we would like to be advised of its progress as it is possible that we may wish to reconsider the matter at some future time."

Approved unanimously.


Secretary.

Approved:


Chairman.