

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 5, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman pro tem.  
 Mr. Szymczak  
 Mr. Draper  
 Mr. Evans  
 Mr. Clayton

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Thurston, Assistant to the Board  
 Mr. Parry, Director of the Division of Security Loans  
 Mr. Bethea, Director of the Division of Administrative Services  
 Mr. Thomas, Director of the Division of Research and Statistics  
 Mr. Vest, General Counsel  
 Mr. Leonard, Director of the Division of Examinations  
 Mr. Nelson, Director of the Division of Personnel Administration  
 Mr. Brown, Assistant Director of the Division of Research and Statistics  
 Mr. Cherry, Assistant Counsel

A meeting of the Personnel Committee, and such other members of the Board as might wish to attend, with the Committee of Directors on Welfare of Staff of the Federal Reserve Bank of New York had been scheduled for this morning, pursuant to a request from the Federal Reserve Bank of New York which was considered at the meeting of the Board on January 30, 1948. However, President Sproul called yesterday afternoon to say that the directors had hoped that Mr. McCabe would attend the meeting, but that since his confirmation

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was being delayed and he would be fully occupied and would not be able to be present at the meeting the Committee of directors asked that the meeting be indefinitely postponed, and that the Committee would get in touch with the Board later. Since the meeting with the New York directors was not held this meeting of the Board was called.

Mr. Clayton said that Mr. Vardaman was unable to attend the meeting and had asked that there be brought up for discussion the suggestion that the Board fix Tuesday and Thursday mornings instead of Tuesday and Friday mornings for the regular meetings of the Board and that it be understood that nothing except of a most urgent character would be permitted to interfere with the regular meetings, that no other meetings or appointments would be made at the regular meeting time, and that meetings would not be called on short notice unless the matters to be discussed were urgent.

Mr. Vardaman's suggestion was discussed and it was the consensus of the members present that the present schedule for regular meetings was more satisfactory as it enabled the Board to act on pending matters on the last business day of the week and that if meetings were held on Thursday instead of Friday there would be too little time between the Tuesday and Thursday meetings. The comment was also made that it is now the understanding that the

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regular meeting times were not to be interfered with, but that this understanding might be more closely observed.

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Chicago and San Francisco on March 2, by the Federal Reserve Banks of Atlanta and St. Louis on March 3, and by the Federal Reserve Banks of New York and Philadelphia on March 4, 1948, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a memorandum prepared by the Legal Division under date of February 2, 1948, in which it was recommended that the Legal Division be authorized to take up with appropriate officials of the Wages and Hours Division on behalf of the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, and Minneapolis the question of classification of assistant examiners as "non-exempt" under the Fair Labor Standards Act. Mr. Vest stated that the recommendation contained in that memorandum had been approved by the Board on February 20, 1948, but that he and Mr. Townsend, who was not able to be present at this meeting because of absence on official business, would like to have a discussion of the Board's views so that in taking the matter up with

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the Wages and Hours Division they would know how far to go in indicating the possibility of litigation in the event the Wages and Hours Division did not agree to classify assistant examiners at the six Federal Reserve Banks as "exempt".

Mr. Carpenter stated that at the meeting of the Board with the Presidents on February 27, 1948, the Presidents had expressed the unanimous view that litigation of this question should be avoided, and that Mr. McLarin, President of the Federal Reserve Bank of Atlanta, had stated that, although the board of directors of that Bank had requested that the question be pursued and if necessary taken into the courts, he did not feel they would insist upon that procedure when they learned of the views of the Presidents of all the Federal Reserve Banks.

During the discussion, it was stated that the Board's letter to the Federal Reserve Banks on December 5, 1947, asked for information with respect to the classification of assistant examiners and for an expression of their views as to whether the matter should be taken up with the Administrator of the Wages and Hours Division, that the replies indicated that at the Federal Reserve Bank of Boston assistant examiners were classified as exempt with the oral approval of the local office of the Wages and Hours Division and the Boston Bank did not wish that situation

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disturbed, that at all other Federal Reserve Banks such employees were classified as nonexempt either under rulings of the regional offices of the Wages and Hours Division or by determination of the Banks, that the New York, Philadelphia, and Dallas Reserve Banks felt the classification was proper and presented no particular administrative difficulties, that those three Banks and the San Francisco Bank had requested that the Board not take the matter up with the Wages and Hours Division on their behalf, that the Kansas City Bank had not requested the Board to take the matter up on its behalf although it expressed the hope that the Board would be able to convince the Wages and Hours Division that assistant examiners should be classified as exempt, and that the other six Banks had asked that the matter be taken up on their behalf in an effort to have the Wages and Hours Division classify their assistant examiners as exempt. It was also stated that at the Federal Reserve Bank of Atlanta, where the question had been under active discussion in recent months, the regional office of the Wages and Hours Division had indicated that three of the assistant examiners might be classed as exempt on the basis of the work actually performed but that two others were clearly nonexempt, and that in earlier discussions the Washington Office of the Wages and Hours Division had stated that a ruling must depend on the facts

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in each particular case and that it might not necessarily be the same for all Federal Reserve Banks or all persons having the same title.

Chairman Eccles stated that even though there had been some doubt as to whether the Fair Labor Standards Act applied to the Federal Reserve Banks, the Board had taken the position that the System should voluntarily place itself under the provisions of the law with respect to the payment of overtime. He also said that the question of classification was one for determination by the Wages and Hours Division, that since several of the Reserve Banks, including some of the largest, were finding no serious administrative problems in treating their assistant examiners as nonexempt, it did not seem to him that the Banks which had raised this question should experience real difficulty in the matter, and that since the Wages and Hours Division had already indicated that it could not issue an overall ruling applying to all Federal Reserve Banks because the classification of each assistant examiner must necessarily depend on the facts applicable in the particular case, the Federal Reserve Banks should be advised that the Board did not feel it could take the matter up in an effort to obtain a rule which would exempt all employees having that title.

Mr. Clayton stated that he agreed except that he would not

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wish to take the position that all rulings by another administrative agency of the Government such as the Wages and Hours Division should necessarily be accepted by the Federal Reserve System.

Mr. Szymczak suggested that the matter might again be discussed by the Legal Division with the Washington Office of the Wages and Hours Division, saying that some assistant examiners did work which clearly made them nonexempt, while others did work and had responsibilities which made them exempt, and asking how they felt the matter should be handled. He added that if the matter was discussed with the Washington office it might result in their ruling that at least some of the assistant examiners at the Boston Bank were non-exempt whereas the Boston bank did not wish its present situation disturbed.

It was suggested that a letter should be sent to the Federal Reserve Banks reviewing the development of the classification of assistant examiners presently in effect at the various Banks and stating that, for the reasons discussed, the Board did not feel it should take up with the Wages and Hours Division the matter of having all assistant examiners classified as exempt, but that it would have no objection to any Reserve Bank obtaining a ruling from the local office of the Wages and Hours Division with the understanding that if the Bank could not get an exemption it would abide by the ruling of the local office of the Division.

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acceptable  
desirable

Upon motion by Mr. Szymczak, it was agreed unanimously that a draft of such a letter should be prepared by the staff and submitted to the Board for consideration.

Mr. Cherry left the meeting at this point and Mr. Solomon, Assistant Counsel, entered the room.

Mr. Draper stated that, for reasons which he discussed, he would like to have the Board consider an amendment 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, to permit the substitution of securities in undermargined accounts.

At Mr. Draper's request, Mr. Parry read a memorandum prepared by him and Mr. Solomon under date of March 4, 1948, in which there were discussed proposed amendments which would permit the owners of stock held in undermargined accounts to sell one security and purchase another of equal value or to substitute one security for another in the account, but which would not permit the sale of a security and the withdrawal of the proceeds in cash so long as the account remained undermargined. Mr. Parry said if the suggested amendments were made they would be acceptable to those who were interested in the right to substitute securities but would not be



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acceptable to those who felt that they should have the right to sell securities and withdraw the proceeds.

Chairman Eccles stated that when the "incidental squeeze" was put into effect in July 1945, conditions were quite different from those now existing, that at that time margin requirements were being increased as a means of reducing the inflationary expansion of stock market credit, and that the increases in margin requirements would have given holders of old undermargined accounts an advantage over persons opening new accounts had the rules against substitution not been incorporated in the regulations. He added that margin requirements had been reduced from 100 per cent to 75 per cent last year, that the volume of activity on security exchanges had continued at a relatively low level since that reduction, and that the amount of credit used in purchasing and carrying securities had shown no tendency to increase over a period of more than a year during which period it had been at a level substantially lower than in 1945 when the rule was made effective. He went on to say that he felt a change in the rule to permit substitutions of securities within the limitation proposed would remove what had become an irritating factor to many investors and one which had prevented certain desirable shifts in securities by estates and individuals, but would not increase

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the amount of credit used to carry securities. He stated, however, that he felt a change which would permit the withdrawal of proceeds from the sale of securities in undermargined accounts would be undesirable for the reason that, without reducing the customer's debt, the funds could be spent thus adding to the inflationary pressures, which would be contrary to the existing policies of the System which were designed to reduce such pressures.

Mr. Szymczak asked if there were other amendments to Regulations T and U that should be made at this time and Mr. Parry expressed the view that the suggested amendments were the only ones that should be made until such time as a further reduction of margin requirements was called for.

There was also a discussion of Mr. Szymczak's question whether the amendments should be discussed with the Securities and Exchange Commission or the trade, and it was agreed that that need not be done.

Following the discussion, Mr. Draper moved that the following amendments to Regulations T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, be approved to become effective April 1, 1948:

"AMENDMENT NO. 7 TO REGULATION T

"Regulation T is hereby amended by striking out the first sentence of the second paragraph of section 3(b)

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"and amending the remaining sentence of such paragraph so that the paragraph will read as follows:

'No withdrawal of cash or registered or exempted securities shall be permissible if the account, after such withdrawal, would have an adjusted debit balance exceeding the maximum loan value of the securities in the account, except that (1) cash may be withdrawn upon the deposit in the account of securities having maximum loan value at least as great as the amount of such cash, or (2) securities may be withdrawn upon the deposit in the account of cash, securities, or both, such that the maximum loan value of the securities deposited (plus the amount of any cash deposited) is at least as great as the maximum loan value of the securities withdrawn, and the current market value of the securities deposited (plus the amount of any cash deposited) is at least as great as the current market value of the securities withdrawn.'

"AMENDMENT NO. 8 TO REGULATION U

"Regulation U is hereby amended by striking out the third paragraph of section 1 and substituting therefor the following paragraph:

'While a bank maintains any such loan, whenever made, the bank shall not at any time permit any withdrawal or substitution of collateral if, after such withdrawal or substitution, the loan exceeds the maximum loan value of the collateral, except that the bank may permit such a withdrawal or substitution provided the loan is reduced, other collateral is deposited, or both, such that the maximum loan value of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the maximum loan value of the collateral withdrawn, and the current market value of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the current market value of the collateral withdrawn. If the maximum loan value of the collateral has become less than the amount of the loan, such amount may nevertheless be increased if there is provided additional collateral having a maximum loan value at least equal to the amount of the increase.'

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

Unanimous approval also was given to a statement for publication in the Federal Register which, after quoting the amendments, read as follows:

"The notice, public participation, and deferred effective date described in section 4 of the Administrative Procedure Act are not followed in connection with these amendments for the reasons and good cause found, as stated in section 2(e) of the Board's Rules of Procedure (12CFR 262.2(e)), and especially because in connection with these amendments which relieves certain restrictions such procedures are unnecessary as they would not aid the persons affected and would serve no other useful purpose."

The following announcement of the Board's action was also approved unanimously, with the understanding that it would be released to the press after the close of business on Monday, March 8 for publication in the morning papers of Tuesday, March 9, 1948, and that it would be sent by telegram to the Federal Reserve Banks this afternoon with the request that they print the amendments and send them to interested parties in their respective districts:

"Effective April 1, 1948, the Board of Governors of the Federal Reserve System has made technical amendments to its Regulations T and U in order to permit a customer to make substitutions in an undermargined account (one having a margin of less than 75 per cent) without having to supply additional margin. Such substitutions in an account may be made, for example, by the sale of one security and the purchase of another. Previously such substitutions were limited by the rule that the proceeds of sales of securities in an undermargined account be used to the extent necessary to increase the margin on the remaining securities until it is on the 75 per cent basis.

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"The amendments do not add to the amount of credit available for stock market transactions under existing regulations."

Messrs. Parry, Brown, and Solomon then withdrew.

Chairman Eccles stated that, after the Board's letter of February 19, 1948, was mailed to Mr. Calkins, Acting Chairman of the Federal Reserve Bank of New York, in reply to his letter dated January 8, 1948, criticizing the statement of responsibilities of directors of Federal Reserve Banks and their relation to the Board of Governors which was distributed with the Board's letter of December 22, 1947, he asked Mr. Townsend, Associate Counsel, to make some suggestions with respect to revisions in the statement in the light of comments received from the Chairmen since December 22. He added that the statement had been under consideration at the time he was appearing before the committees of Congress on the special reserve plan and for that reason he had not read the statement before it was sent out, but that he had read it carefully since Mr. Calkins' letter was received, that he felt it was unnecessarily irritating to some of the Federal Reserve Bank directors and officers, and that it seemed to him that a revision of the statement should be prepared and submitted to the Chairmen of the Federal Reserve Banks promptly for their suggestions.

Mr. Szymczak said that if a revised statement were issued

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by the Board now after having just sent out the letter of February 19, 1948, to the directors of the Federal Reserve Bank of New York it would be a sign of weakness, that there would be objection to any statement that might be written particularly since the Presidents were of the opinion that no statement should be sent to new directors by the Board, and that the statement sent out over the year-end had been submitted to all of the members of the Board and the senior staff and copies were distributed at the December meeting of the Chairmen's Conference and all of the Chairmen were given an opportunity to make suggestions with respect to it. He added that the Board's letter of February 19 to the directors of the New York Bank contemplated that the suggestions made by the Chairmen which were received too late for consideration in connection with the final draft of the statement, as well as the suggestions made by the New York directors, would be taken into consideration in connection with any revision of the statement that might be undertaken and that it would be his suggestion that the statement be revised so that it could be presented to the Chairman for discussion at the Chairmen's Conference in May. Such a statement, he said, would be carefully prepared and the necessary time could be given to it to make sure that it would not be necessary to change it again.

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Chairman Eccles expressed the opinion that a statement should be sent out promptly for the reason that the Chairmen had received a copy of the Board's letter to the Federal Reserve Bank of New York and while that letter was still fresh in their minds it would be well to send a statement which would meet some of the criticisms that the Chairmen had made. Such a procedure, he said, would make it clear that the revision was in response to the Board's promise to consider the Chairmen's suggestions and not because Mr. McCabe had become a member of the Board and had suggested a revision of the statement. He also said that a copy of Mr. Townsend's draft of the revised statement had been given to Messrs. Morrill and Thurston and that they had done some work on it and that he would suggest that copies of a revision be furnished to the members of the Board and that it be sent to the Chairmen of all of the Federal Reserve Banks with a request that they forward any suggestions that they might have to reach the Board within 60 days.

Mr. Szymczak suggested that the statement should not be rushed, and that since the Chairmen's Conference would be held in May the draft be completed in time to be furnished to the Chairmen just before the Conference. He felt that that would be a more orderly procedure and would result in a more satisfactory statement.

During the discussion Mr. Carpenter read a letter dated

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March 4, 1948, and received during the meeting from Deputy Chairman Myers of the Federal Reserve Bank of New York acknowledging the Board's letter of February 19, 1948, and stating that, after reading that letter and further discussing the statement, the directors of the New York Bank still did not think it would contribute to that harmonious integration and effective coordination of all parts of the Federal Reserve System which can and should be the source of its greatest strength because the statement seemed to minimize the responsibilities of a new director and his opportunities for public service, instead of inspiring him by emphasizing his possible contributions to the work of the System.

At the conclusion of the discussion of Chairman Eccles' suggestion, upon motion by Mr. Draper, it was understood that a draft of a revised statement would be prepared and distributed to the members of the Board early next week and that, if possible, it would be considered at a meeting on Friday, March 12, 1948.

In connection with the discussion of the above matter, Mr. Szymczak suggested that the Board resume the practice of inviting new Class C directors to Washington before they were appointed by the Board and that consideration be given also to having a member of the Board visit the Federal Reserve Bank when a new Class C director was sworn in so that an opportunity would be afforded to discuss with the new director the nature of his duties and the



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relationship of the boards of directors of the Federal Reserve Banks to the Board of Governors. This suggestion was discussed but no action was taken with respect to it.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 4, 1948, were approved unanimously.

Memorandum dated March 1, 1948, from Mr. Vardaman recommending that the basic salary of Miss Dorothy Hoffman, Secretary to Mr. Vardaman be increased from \$3,898.80 to \$4,500 per annum, effective March 7, 1948.

Approved unanimously.

Memorandum dated February 18, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective March 7, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Robert A. Rennie	Economist	\$4,651.20	\$4,902.00
Winofred Racz	Clerk	2,469.24	2,644.80

Approved unanimously.

Memorandum dated February 19, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending

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that the basic salary of Mrs. Florence R. Cox, a clerk-stenographer in that Division, be increased from \$2,619.72 to \$2,694.96 per annum, effective March 7, 1948.

Approved unanimously.

Memorandum dated February 18, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division effective March 7, 1948. The memorandum also recommended that the status of Miss Leone W. Klapat be changed from temporary indefinite to permanent, effective the same date:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Leone W. Klapat	Clerk	\$2,694.96	\$2,770.20
Beverly A. Carter	Mail Clerk	2,168.28	2,243.52

Approved unanimously.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of February 26, 1948, submitting for the consideration of the Board of Governors the transaction effected January 17, 1948, through which the American State Bank, Great Bend, Kansas, purchased assets and assumed the deposit liabilities of the Heizer State Bank, Heizer, Kansas, a nonmember, uninsured State bank which entered voluntary liquidation.

"The Board is advised that the Federal Deposit Insurance Corporation has approved the assumption of the deposits of the uninsured State bank by the insured State member bank and understands that there

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"has been no change in the general character of member bank's business or in the scope of the corporate powers exercised by it within the meaning of condition of membership numbered 1 to which it is subject.

"In view of your recommendation, the Board will interpose no objection to the transaction as completed."

Approved unanimously.

Letter to Transamerica Corporation, San Francisco, California,

reading as follows:

"This refers to the schedule which you submitted to the Federal Reserve Bank of San Francisco listing the assets owned by your Corporation at the end of each month from January to October 1947 which you regarded as meeting the requirements of section 5144 of the Revised Statutes of the United States with respect to the readily marketable assets which must be possessed by a holding company affiliate which holds a voting permit.

"The listed assets include all of the stock of Occidental Life Insurance Company of California and Pacific National Fire Insurance Company, large amounts of the stock of General Metals Corporation and Columbia River Packers Association, Inc., and several million dollars of 'conventional mortgage loans'. All of the named corporations are subsidiaries of your Corporation. Occidental Life Insurance Company of California and Pacific National Fire Insurance Company are wholly owned by your Corporation and, according to our latest information, your Corporation owns approximately 90% of the stock of General Metals Corporation and, together with its subsidiaries, owns approximately 75% of the stock of Columbia River Packers Association, Inc. With respect to the 'conventional mortgage loans', it is assumed that these are ordinary real estate mortgage loans and that the term 'conventional' is used merely to distinguish them from mortgage loans which are insured by the Federal Housing Administration or are similarly insured or guaranteed.

"In a ruling published in the Federal Reserve Bulletin for March 1938 at page 192, the Board stated that

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"in determining whether assets are readily marketable assets within the meaning of section 5144, it should be borne in mind that the law apparently contemplates that 'the assets shall be of such a nature that their fair market value can be easily ascertained with reasonable accuracy and can be readily realized in the market at any time.' It is difficult to conceive of circumstances in which the stock of a wholly owned subsidiary properly could be regarded as having these characteristics, and there is nothing to indicate that they are possessed by the stock of Occidental Life Insurance Company of California or Pacific National Fire Insurance Company. Furthermore, the limited public distribution of the stocks of General Metals Corporation and Columbia River Packers Association, Inc., and the small amount of trading in them on securities exchanges would not appear to afford any substantial basis for differentiating between your Corporation's large holdings of these stocks and stocks of wholly owned subsidiaries. In the case of 'conventional mortgage loans', it is believed that, while there may be investment demand for sound loans, uninsured real estate mortgage loans are not customarily bought and sold in the market in such a manner as to justify their classification as readily marketable assets.

"Accordingly, on the basis of the available information, the Board does not regard any of these assets as readily marketable; and, during most of the period in question, the other assets listed in the schedule fell short of the required amount of readily marketable assets as computed by you."

Approved unanimously.

Letter to the Honorable Tom C. Clark, Attorney General of the United States, reading as follows:

"It has come to the Board's attention that the United States District Judge at Baltimore, Maryland, has stated that he feels that criminal cases involving alleged violations of Federal banking laws occurring in State member banks of the Federal Reserve System should be prosecuted in the State courts and should not be brought in the United States district courts. We understand also that in at least one case in the State of

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"Maryland involving a substantial shortage the State authorities have failed to prosecute, with the result that the offense has not been prosecuted in either jurisdiction. It also appears that, in view of the position of the District Judge, the local office of the Federal Bureau of Investigation does not investigate matters of this kind because it would not be possible to prosecute them in the Federal Court in the event the investigation should disclose a probable offense.

"You can readily see that a situation of this kind, if it should continue or spread, may well encourage a disregard of the criminal provisions of the Federal banking statutes. In enacting these laws Congress, of course, was aware that State laws covered the same field but felt that offenses occurring in banks connected with the Federal System should be prosecuted in the Federal courts.

"The Board of Governors wishes to bring this matter to your attention in the hope that, if possible, some steps can be taken to insure consideration of these cases in the United States district court."

Approved unanimously.

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

"This refers to your letter of February 14, 1948, requesting the Board's approval of preliminary plans for the proposed building to house the Seattle Branch.

"On the basis of the preliminary plans, cost estimates, and other data furnished, the Board authorizes your Bank to have the final plans and specifications prepared, which should be submitted to the Board for consideration before bids are requested. It is understood that additional estimates are being obtained with respect to the construction of vaults.

"The Board notes that you believe it would be most inadvisable to omit cafeteria facilities in the building and that the cost of the equipment other than dishes, flat silver, and coffee maker, would be only about \$7,000,

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"much of which would be necessary if a 'snack bar' were provided instead of cafeteria service. In view of the considerations outlined in your letter, the Board will interpose no objection to the provision for cafeteria and dining room facilities in the final plans."

Approved unanimously.

Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your letter March 1 regarding gold loans to Bank Polski after review of Polish situation and of reasons for renewing these loans beyond one year from date of original loan, Board approves extension to June 9 of \$17,000,000 of loans to Bank Polski maturing March 9, subject to the terms and conditions outlined in your letter of December 12 and the Board's telegram of December 16, 1947.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

The remaining members of the staff then withdrew and the Board went into executive session.

Following the executive session, the Secretary was informed by Mr. Draper that the Board had approved a memorandum from Mr. Draper dated February 20, 1948, recommending the adoption of a procedure for serving luncheons in the Board members' offices and the purchase of equipment necessary thereto as follows:

- (1) That the Board authorize the purchase of 4 Sterno room service tables at a cost of \$62.00 each; 6 Sterno food carriers at a cost of \$47.50 each; and incidental small items, including plate covers, soup tureens, thermos coffee jugs, and Sterno;

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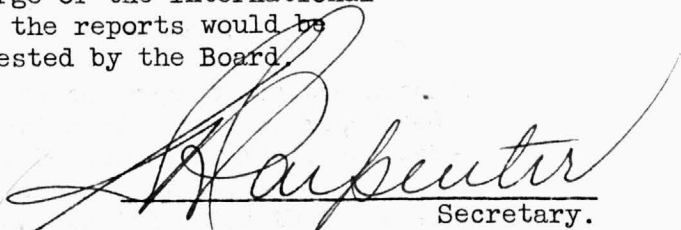
(2) That the appropriate classification in the budget of the Division of Administrative Services be increased to cover these costs, totaling approximately \$700;

(3) That the service rendered by the Cafeteria staff be confined to preparing the food and placing it in the carriers, upon reasonable advance notice, to be called for by Board members' messengers not later than 2:00 p.m., the equipment to be returned by the messengers as soon as practicable;

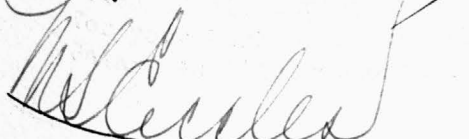
(4) That the service be confined to the offices in the Board members' area on the second floor of the building;

(5) That the private elevator be made available for use in carrying meals from the kitchen to the Board members' area."

The Secretary was also informed by Chairman Eccles following the executive session that, at the suggestion of Mr. Evans, the Board agreed that, in order to keep the members of the Board informed and not for the purpose of action by the Board, the International Section of the Division of Research and Statistics, would make a written report to the Board semi-monthly (and oftener if the material to be included in the report was of sufficient interest) on the matters being considered by, and the activities of, the National Advisory Council. Chairman Eccles also advised that he had discussed the matter with Mr. Knapp, Assistant Director of the Division of Research and Statistics in charge of the International Section, and that the reports would be submitted as requested by the Board.

  
Secretary.

Approved:

  
Chairman pro tem.