

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 1, 1948. The Board met in the Special Library at 9:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Morrill, Special Adviser
 Mr. Vest, General Counsel
 Mr. Nelson, Director of the Division
 of Personnel Administration
 Mr. Townsend, Associate General Counsel

There were presented telegrams to the Federal Reserve Banks of 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 September 28, and by the Federal Reserve Bank of St. Louis on September 29, 1948, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Chairman McCabe stated that in accordance with the understanding at the meeting on September 29, 1948, he called Comptroller of the Currency Delano on the telephone for the purpose of discussing with him the question whether the Transamerica hearing should be a public or private hearing, that Mr. Delano was opposed to a public hearing and that he (Chairman McCabe) had not had an opportunity to talk with Mr. Harl, Chairman of the Federal Deposit Insurance Corporation,

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but that if the Board so desired he would call him immediately and report back to the Board. It was the consensus of the members present that Chairman McCabe should defer calling Mr. Harl until the matter had been discussed at this meeting.

Mr. Townsend stated that it appeared to the Legal Division that the advice of counsel for the Board on the question of a closed or public hearing should be confined to outlining the specific considerations to be taken into account in reaching a decision, and that the Board should reach a determination on the basis of the broad considerations involved. He then referred to the rules of practice for formal hearings issued by the Board under the Administrative Procedure Act which provided that hearings for the purpose of taking evidence shall be private except that on the written request of one or more of the respondents or counsel for the Board, or on the Board's own motion, the hearing may be made public. He also referred to the practice followed in the past of holding private hearings on matters relating to the condition of banks and to the opinion that had been expressed from the beginning that the procedure should be handled in such a manner as would enable the making of an accurate factual record without any outside influences and that it would be better from the standpoint of Trans-america Corporation if the matter were not public until the record had been prepared and a decision made by the Board when the facts on both sides of the case as developed by the proceeding could, if desirable, be made public. He added that during his trip to the West Coast to seek the cooperation of bankers in that area in presenting the Board's case,

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his conversations had been on the basis of a private hearing and that it was believed that a public hearing would make it much more difficult, but not impossible, to obtain the testimony that the bankers would be in a position to give. Other matters which might bear on the Board's decision, he said, would be (1) the likelihood that Trans-america Corporation would undertake in the event of a private hearing to "try the case" in the newspapers, (2) the advantage of having the Board's position known through the medium of a public hearing, and (3) the fact that a public hearing would make it clear that the proceeding was not, as charged by the Corporation, an attempt by Mr. Eccles personally to curb the activities of the Corporation.

In response to an inquiry from Chairman McCabe as to his recommendation, Mr. Townsend said that he felt that the best record possibly could be made in a private hearing for the reason that more of the facts in the case could be gotten into the record by that means, but that the decision on the matter should be made by the Board on the broad basis of all of the considerations involved.

In answer to a request from Chairman McCabe for his opinion, Mr. Vest stated that he felt the Board's case probably would be better from the legal standpoint if the hearing were private rather than public. He also commented that if a public hearing were held it might set a precedent for public hearings for the several bank supervisory agencies including the Board which might be undesirable.

Mr. Carpenter stated that, as requested at the meeting on September 29, he talked with Mr. Thurston by telephone to obtain his

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views as to whether it would be preferable to have a private hearing or whether the request of Transamerica for a public hearing should be granted and that Mr. Thurston replied that he felt the Board should follow the recommendations of the legal division, that it had been the policy in the past to hold private hearings on matters affecting the banking system, that he was not concerned about Transamerica giving a one-sided story of the case if a private hearing was held because the record made at the hearing would substantiate whatever position the Board finally took, and that in a public hearing Transamerica probably would "grand stand" its position which might result in a less satisfactory record than would be the case in a closed hearing.

During the ensuing discussion Mr. Townsend made it clear that, if the Transamerica Corporation should challenge in the courts the Board's refusal to grant a public hearing, the court might rule against the Board's position but that in his opinion the Board would have a good chance to win the case on the basis that the considerations of public interest in a private hearing on a matter involving the banking system were of greater importance than the considerations involved in cases in which the courts had decided in favor of public hearings.

Mr. Eccles pointed out that if the question involved the soundness of management of banks in the Transamerica group the Board

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would not proceed under the Clayton Act but under section 30 of the Banking Act of 1933 in which because of the language of the statute the question of a public hearing could not be raised, but that the question in the Transamerica proceeding related, not to the condition or management of the banks in the group but to the question whether a situation existed which had resulted or was tending to result in a monopoly.

Mr. Townsend said that in the light of the considerations which had been discussed at this meeting he had prepared an alternative draft of statement and order which might be issued by the Board if it should decide to grant the request of Transamerica Corporation for a public hearing. He again expressed the view that the Board should reach its decision in the matter on the basis of an appraisal of all of the relevant facts, and that the position of counsel in the matter should not be more than to point out the considerations that might be taken into account by the Board in reaching its decision. While it was his opinion that a more satisfactory factual record could be made in a private hearing, he recognized that such a hearing would involve certain disadvantages.

Mr. Eccles referred to the suggestion made by Mr. Townsend that he (Mr. Eccles) be the first witness in presenting the Board's case and stated that if a private hearing were held he would prefer not to be a witness for the reason that the members of the Board

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would be unable to make any public statement about the proceeding while the representatives of Transamerica Corporation would be free to say to the press what they pleased with respect to it.

Mr. Townsend stated that if Mr. Eccles would not be willing to appear as a witness in a private hearing, he (Mr. Townsend) would feel that, because of the importance of Mr. Eccles' testimony, the hearing should be a public one. During the discussion of this point Mr. Eccles made it clear that whether he testified or not he would prefer to have a public hearing.

Mr. Evans stated that on the basis of his experience his preference would be for a public hearing and that if the Board acceded to the request of Transamerica for a public hearing, the field of matters to which Transamerica could object would have been narrowed and the likelihood of delay in the case would be reduced accordingly.

Mr. Clayton said that, while he previously felt that the hearing should be private, he now felt the over-all considerations favored granting the request for a public hearing.

Mr. Draper made the following statement:

"As I understand it, the primary purpose of the first series of meetings in Washington is the making of our record.

"Every other consideration should, in my opinion, give way to that primary purpose.

"The reason I emphasize this fact is that regardless of what happens after this first meeting, or series of meetings, if our record is not complete and unassailable, then no procedure which we may adopt afterwards will have the validity or the effectiveness which it would have had if our original

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"record were free from error.

"There is another point to be carefully considered. It is the effort which I feel we should make to protect the banking system, as a whole, against unjust or sensational attacks, possibly made for circulation purposes by some members of the press or others, at the very start of these proceedings.

"We can not rely entirely upon the fair-mindedness of all the public or all the members of the press, particularly before the whole record is made.

"Therefore, it seems to me that the safest and the most effective course for the Board to pursue is to make its original record privately and in an atmosphere of judicial fairness. When the record is so made, and the case goes to the court for decision, then is the time for the Board to publish in full the text of its proceedings and the conclusions which it has reached."

Mr. Eccles stated that he felt the hearing should be public, that if the request of Transamerica were denied and a private hearing ordered the press would attempt to obtain information and accounts based on such information probably would be incomplete and inaccurate and would give the wrong impression to the public and to Congress and other supervisory agencies concerning the Board's position in the matter, and that the Board, under such circumstances, would be precluded from making any statements for the purpose of correcting inaccurate reports.

Mr. Vardaman said he favored a public hearing on the principle that this was not a case involving privileged material as would be the case if it related to the condition of a bank.

Mr. Szymczak said that he had hoped the hearing could be private but that the Board was a public body and that the question

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was how it would best serve the public interest which was basically the preservation of our system of government since the matter at issue involved a charge of practices tending toward monopoly which, under the law, were considered to be against the public interest. He said that he felt the public interest would be best served by avoiding delay in the hearing and by bringing out the facts in the case, and that he therefore had concluded the public interest would be best served by making the hearing public.

Chairman McCabe said that, while he previously had assumed the hearing would be private, he felt that it would be in the public interest to get the facts in the case as quickly as possible and that a public hearing appeared to be the best way of doing this, that he felt a private hearing would be subject to "leaks" so that in reality a good deal of information concerning the hearing would be publicized, and that since Transamerica had requested a public hearing he would favor granting the request even though a private hearing would be more desirable from some standpoints.

At the conclusion of the discussion,
Mr. Clayton moved that the following
statement and order be approved:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION

STATEMENT

"Transamerica Corporation, Respondent herein, has filed

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"its request with the Board to make public the hearings which are scheduled to commence in the above entitled matter on October 12, 1948, and to change the situs of such hearings from the Board's offices in Washington, D. C. to San Francisco, California, and 'that the hearings thereafter be adjourned to such places as may from time to time be necessary, having due regard for the convenience and necessity of the witnesses whose testimony may be required by Respondent in defense against the allegations of the Board.' We will consider these requests separately.

"First as to Respondent's request that the hearings be open to the public. Rule III(b) of the Board's Rules of Practice for Formal Hearings, promulgated in 1946 pursuant to the requirements of the Administrative Procedure Act, gives effect to a practice of long standing by requiring that all formal hearings before the Board be privately held, except that, upon application of Respondent or Counsel to the Board, the Board 'when not prohibited by law' may order the hearings to be public. The reason for this rule and the practice which preceded it is to protect banking institutions against the possible harmful impact of publicly trying charges brought against such banks by bank supervisory agencies. It was for this reason that Congress wrote a positive prohibition in Section 30 of the Banking Act of 1933 against the disclosure of the Board's findings of fact and order in those proceedings instituted by the Board looking to the removal of bank officers or directors for alleged unsafe, unsound or illegal practices. No doubt the same consideration impelled the Attorney General's Committee on Administrative Procedure, whose Final Report led to the enactment of the Administrative Procedure Act, to recognize that public hearings by administrative agencies, though desirable, might not be in the public interest in all instances, and to expressly refer in this connection to proceedings by the Board looking to the termination of a bank's status as a member of the Federal Reserve System.

"The proceedings in the instant case, however, do not involve the trial of charges which may be said to fall within the same category as those referred to above. Here the sole issue is whether Transamerica Corporation, which is not itself a banking institution, has violated Section 7 of the Clayton Act by acquiring the stocks of certain banks named in the complaint. Under these circumstances it may reasonably be expected that publicity respecting the trial of this issue will not have any harmful effect upon the

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"banks named in the complaint or upon banks generally within the area affected. An additional reason for making these hearings public lies in the language of section 11 of the Clayton Act, under which these proceedings were instituted, which provides that 'Any person may make application, and upon good cause shown may be allowed by the commission or board, to intervene and appear in said proceeding by counsel or in person.' Similar language appearing in Section 5 of the Federal Trade Commission Act has been construed by the Court of Appeals for the District of Columbia as justifying a conclusion by the Federal Trade Commission that such language imposed upon it the duty of public hearings. (See E. Griffiths Hughes, Inc. v. Federal Trade Commission, 63 Fed. 2d, 362). In light of these considerations the Board, in compliance with Respondent's request, will direct its hearing officer to conduct public hearings in the above entitled matter. The Board's Secretary will be instructed to make public the docket in these proceedings.

"Next we take up Respondent's request to move the location of the hearings from Washington to San Francisco, California, and to such other places as may be necessary to accommodate Respondent and its witnesses. It has been and is the Board's intention, in accordance with the provisions of section 5(a) of the Administrative Procedure Act, to facilitate so far as possible the convenience of both parties to these proceedings. Accordingly, the hearing officer will be authorized to move the situs of the hearings from time to time and to such places as in his judgment may be reasonably necessary to effectuate this intention. However, the hearings will be commenced in Washington at the time and place stated in the Notice of Hearing in order to permit the introduction here of such record and other testimony as Counsel for the Board may wish to produce at that time.

"ORDER

"For the reasons set out in the Statement hereinabove appearing, and subject to such qualifications as are therein contained, Respondent's request for public hearings is granted and its request for change in the place of hearing is denied.

"By the Board.

(SEAL)

(Signed) S. R. Carpenter
Secretary."

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Mr. Clayton's motion was put by the Chair and carried, Mr. Draper voting "no".

In taking this action it was understood that the following statement for the press would be issued for release at noon on Monday, October 4, 1948:

"At its meeting on Friday, October 1, 1948, the Board, acting pursuant to the written request of Transamerica Corporation, San Francisco, California, directed that public hearings be held in a proceeding scheduled to commence at 10:30 A. M. on October 12, 1948 at the Board's offices in Washington, D. C. on a complaint issued by the Board on June 24, 1948 charging Transamerica Corporation with violating Section 7 of the Clayton Anti-Trust Act. The Board's Secretary has been directed to make the docket in this matter available for public inspection."

It was agreed unanimously that Mr. Thurston should attend all sessions of the hearing as an observer so that he could keep the members of the Board informed on the reactions in the public press to the hearing and to answer questions that might be asked by the press.

Mr. Townsend recommended that the hearing be started in the Board Room with all of the Board members who are in Washington on the opening day of the hearing present. It would be understood, he said, that at the opening of the hearing Chairman McCabe would ask for any motions that should be considered by the Board and if there were none he would hand to the representatives of Transamerica Corporation and to counsel for the Board an order appointing Mr. Evans as hearing officer and the place of the hearing would be removed to Room 1202 on

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the first floor of the Federal Reserve Building.

This recommendation was discussed and it was agreed unanimously that the procedure proposed by Mr. Townsend should be carried out except that the hearing would be commenced in Room 1202 rather than in the Board Room.

At this point Mr. Townsend left the meeting.

Mr. Vardaman referred to the question of policies with respect to the investment and management of retirement system funds, which was to be discussed with the Presidents at their joint meeting with the Board on Tuesday, October 5, 1948, and asked if the Board was going to reach a decision on the matter before the joint meeting. Mr. Vardaman said that he would like the record to show that he did not feel any guarantee should be made by the Federal Reserve System of benefits provided by the retirement system, unless investment of retirement system funds was restricted as set forth in the Board's memorandum presented to the Presidents at the joint meeting on December 9, 1947. If the present arrangement was to be continued, it was his recommendation that the Board give consideration to advising all present and future members of the retirement system in writing, of which their acknowledgment would be required, that the handling of the retirement funds was a private trust and that there was no moral or other obligation on the part of the Government, the Board, or the Federal Reserve Banks to guarantee the benefits provided by the retirement system.

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Mr. Draper said that when the committee appointed by the Chairmen's Conference to study the retirement system met in Washington on September 28, 1948, he asked for its views as to investment and management policies for the retirement system, at which time he outlined briefly the alternative proposals made by the Board at the meeting with the Presidents on December 9, 1947. Mr. Draper said that he also asked the reaction of the Chairmen's Committee on a third alternative, which he individually suggested, which would provide that retirement system funds be invested 50 per cent in long-term 2-1/2 per cent Government bonds, 25 per cent in Government-guaranteed Federal Housing Administration mortgages, 15 per cent in high-grade industrial or public utilities bonds, and 10 per cent in high-grade preferred stocks.

In the ensuing discussion, Chairman McCabe suggested that the Board defer pressing the matter with the Presidents until the comments of the Chairmen's Committee had been received.

Mr. Eccles stated that he would be willing to defer taking action at the present time, and he suggested that the Chairmen's Committee be furnished with a copy of the Board's alternative proposals as submitted to the Presidents on December 9, 1947, so that they could make a recommendation in the light of those proposals.

The foregoing suggestions were approved unanimously, with the understanding that, following the discussion of the matter with the

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Presidents on October 5, 1948, Mr. Draper would address a letter to the Chairmen's Conference Committee which would enclose a copy of the memorandum submitted to the Presidents on December 9, 1947, and which, while not referring to the third alternative proposed by Mr. Draper, would leave the door open for consideration of that or other alternatives.

Mr. Evans stated that on September 30, 1948, Mr. Arnold Markel, President of the Merchants Bank of New York, New York, conferred with representatives of the Board and presented additional information concerning the applicability of Section 32 of the Banking Act of 1933, as amended, to the service of Mr. Ralph Dubin as a director of The Merchants Bank and as an employee of the firm of Hirsch and Co., New York, New York. He stated that, as indicated in the Board's letter to the Federal Reserve Bank of New York of March 29, 1948, and in other correspondence, it appeared clear that the firm of Hirsch and Co. was primarily engaged in the types of business described in Section 32 and he suggested that a letter be sent to Mr. Sproul, President of the Federal Reserve Bank of New York, requesting that that Bank advise Mr. Markel and Mr. Dubin that the Board had carefully considered the additional information supplied by Mr. Markel during his visit on September 30, 1948, that, in the light of all the information before it, the Board is of the opinion that the firm of Hirsch and Co. is primarily engaged in the types of business described in section 32 of the Banking Act of 1933, and that Mr. Dubin

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should take steps as may be necessary to bring his interlocking relationship into conformity with the statute not later than January 15, 1949.

Mr. Evans' suggestion was approved unanimously.

Reference was also made to a memorandum dated September 27, 1948, from Mr. Smead recommending that, should the Presidents' Conference approve the report of the Committee on Collections dated August 31, 1948, the Board concur in the recommendation in that report that member banks with a daily average of 300 or more cash items payable in the territory of another Federal Reserve Bank or branch be not required to send such items direct or to sort and list such items separately.

Mr. Eccles suggested that, if the report of the Committee on Collections is approved by the Presidents, the Board inform the Presidents that the Board would not want to decide on the matter until it had had an opportunity to discuss the matter further.

This suggestion was approved unanimously.

At this point Messrs. Sherman, Vest, and Nelson withdrew from the meeting.

Mr. Vardaman stated that, following the meeting of the Board on Wednesday, September 29, 1948, he talked with Mr. Davis, President of the Federal Reserve Bank of St. Louis, who was in Washington to

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attend the Presidents' Conference, and told him that he had asked the Board to relieve him (Mr. Vardaman) of any primary consideration of the official personnel situation at the Federal Reserve Bank of St. Louis and that there was considerable dissatisfaction on the part of the Board with the official personnel at the head office and some of the branches. Mr. Vardaman also said that Mr. Davis was inclined to question the right of the Board to concern itself with the operation of the branches other than to the extent of passing on salaries. He added that he told Mr. Davis that the Board had asked Mr. Morrill to prepare a statement of the problem at the Bank for consideration by the Board and that, after it had been discussed, the Board would want to talk with Mr. Davis and Mr. Dearmont, Chairman of the Bank, about the matter. Mr. Vardaman made the further statement that Mr. Davis appreciated what he had been told and welcomed the procedure that the Board proposed to follow.

Mr. Vardaman then referred to the decision of the Board on August 17, 1948, to defer for the time being, at the request of Chairman McCabe, a decision with respect to filling the vacancy in the Division of Examinations created by the appointment of Mr. Millard as Director of that Division. Mr. Vardaman stated that, in order to stop speculation as to who the successor to Mr. Millard would be, a decision should be reached on the matter as promptly as possible. Chairman McCabe stated that he had talked with Mr. Millard about the

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matter but that, because of his (Chairman McCabe's) absence on vacation and being occupied with many other important matters since his return, he had not had an opportunity to reach a decision as to what action he would like to propose that the Board take.

After discussion, it was agreed that the Personnel Committee would submit a recommendation to the Board as promptly as possible with respect to (1) whether two assistant directors were needed in the Division, and (2) if so, who should be appointed to fill the vacancy.

There was also an informal discussion of the procedure followed in the past by the System Research Advisory Committee and the Presidents' Conference Subcommittee on Research and Statistics in submitting reports and recommendations with respect to matters considered by them and it was agreed that Mr. Evans would discuss the matter with Mr. Thomas and make a recommendation to the Board as to the procedure that should be followed in the future.

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 September 30, 1948, were approved unanimously.

Memorandum dated September 22, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending, in

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accordance with the procedure established at the meeting of the Board on October 3, 1947, that the Division be authorized to request the services of Professor Richard A. Musgrave, University of Michigan, and Consultant to the Board, in the preparation of a special report dealing with the issues which may arise in the monetary field in the event of a war emergency. The memorandum stated that it was estimated that Dr. Musgrave would devote about half-time to the preparation of the report for a period of six weeks, with compensation at the rate of \$30 per day worked plus expenses of not more than four consultation trips to Washington. The memorandum also stated that funds for such compensation and travel were provided in the Division's 1948 budget.

Approved unanimously.

Memorandum dated September 28, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointments of Carl J. Nickens, laborer, and Thomas V. Kopfman, clerk, in that Division be extended on a permanent basis with no change in their present basic salaries of \$2,020 and \$2,284 per annum, effective October 2 and 6, 1948, respectively. The memorandum also stated that it was contemplated that Messrs. Nickens and Kopfman would become members of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank

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of Chicago, reading as follows:

"In accordance with the action taken by the Board of Directors at its meeting on September 23, 1948, as reported in Mr. Heath's letter of September 24, 1948, the Board of Governors approves the payment of salary to Neil B. Dawes as Vice President and Secretary at his present rate of \$13,600 per annum for the period October 1, 1948 through March 31, 1949."

Approved unanimously.

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

"In accordance with the request contained in your letter of September 25, 1948, the Board approves the designations of James D. Couch and James N. House as special assistant examiners for the Federal Reserve Bank of Dallas."

Approved unanimously.

Memorandum dated September 27, 1948, from Messrs. Young, Solomon, and Wood which, after stating that, in accordance with the program outlined by Mr. Clayton at the meeting on September 20, 1948, they had met with Mr. Lynch, General Counsel of the Treasury, and Mr. Ranta of his staff to discuss the proposed legislation to authorize the Federal Home Loan Banks to borrow up to a billion dollars from the Treasury in case of emergency, read as follows:

"It was agreed that before this authority is granted, the Federal Home Loan Banks and their member savings and loan associations should be required to protect their own liquidity more fully than is now the case. It was agreed tentatively that the Home Loan Bank Board would be directed to issue regulations which would require the savings and loan associations to meet four conditions:

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- "1. To maintain cash balances of certain amounts, also to hold government securities as a secondary reserve in amounts appropriate for their liabilities.
2. To limit the amount of their mortgage loans.
3. To regulate the distribution of the maturities of their mortgage loans.
4. To limit the extent of their borrowing from banks and similar sources.

"It was also agreed that the Federal Home Loan Banks should be required to conduct their discounting and borrowing operations in a manner consistent with Government fiscal and credit policies.

"It was tentatively understood that the staffs would work out together language for a statute to embody these suggestions, and work toward that end is now going forward at the Board. It is suggested that we proceed by consulting directly with Mr. Ranta and Mr. Lynch on our draft as soon as it is completed and if tentative technical agreement is reached on an appropriate formulation of the matter, that the draft then be presented to the Board. We will keep Governor Clayton informed with respect to our consultation with the Treasury staff."

Approved unanimously.

Letter dated September 30, 1948, to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, prepared in accordance with the action at the meeting on September 29, 1948, reading as follows:

"In reply to your letter of September 17, 1948, you are advised that the Board has no objection to permitting Mrs. James and Mrs. Rodd to examine the documents listed in the enclosure to your letter consisting principally of copies of correspondence between your bank and the Bank of Italy in the years 1917 to 1920 relating to the establishment of branches by the latter.

"As requested in Mr. Agnew's letter of September 22, documents numbered 32, 33 and 34, which he forwarded to the Board, are returned herewith."

Approved unanimously.

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

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"This refers to your letter of September 24 regarding the penalty of \$59.19 incurred by First National Bank of Port Neches, Texas, as a result of a deficiency in reserves for the period ending September 15, 1948.

"In the circumstances stated in your letter, the Board authorizes your Bank not to make the assessment."

Approved unanimously.

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

"After consideration of suggestions received from the Federal Reserve Banks, the following agenda has been prepared for the Regulation W conference which will open October 7 at 10 o'clock in the Board Room.

1. Opening statement.
2. Enforcement program.
 - a. Scope of program.
 - b. Emphasis upon particular class or classes of registrants.
 - c. Cooperation with other agencies.
 - d. Procedures and techniques of investigation and enforcement.
 - e. Reports as to Reserve Bank plans.
 - f. Means of coordinating Reserve Bank activities.
3. Administrative questions.
 - a. Educational activities.
 - b. Objectionable advertising.
 - c. Processing and tabulating procedures for registration statements.
 - d. Revival of the Loose-Leaf Service.
4. Amendments.
 - a. Repair and modernization credits.
 - b. Unenforceability of contracts.
 - c. 'On approval' and demonstrator deliveries.
 - d. Others.
5. Questions as to interpretation.
6. General discussion and miscellaneous questions as raised by the Reserve Banks.

"It is contemplated that the conference will be largely in the nature of informal roundtable discussion and it is hoped that the representatives of the Reserve Banks which have raised questions will be prepared to discuss them in particular but

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"no specific assignments are being made."

Approved unanimously.

Letter to the Honorable Hugh A. Meade, House of Representatives, reading as follows:

"This refers to your letter forwarding a letter from Mr. William H. Klarner, Manager of the Continental Home Improvement Company in Baltimore, regarding the proposed amendments to Regulation W which would place modernization loans under the regulation.

"The Board has received hundreds of letters containing a wide variety of comments in response to its invitation for comments on the proposed amendment. It is giving careful study to the various points which have been urged in favor of such an amendment and against it, and in that connection the considerations urged by Mr. Klarner will receive careful attention.

"The Board has felt that the procedure which it has followed of publishing an official notice of the proposed amendment in the Federal Register and of receiving written comments pursuant to the Administrative Procedure Act is the most effective method of obtaining the views of all interested persons and of carrying out the Congressional directives as promptly and equitably as possible. It seems doubtful that there are any views on the general subject which cannot be presented as clearly and effectively in writing as in person. However, if Mr. Klarner or any other interested person feels nevertheless that he would like to present his views personally, the Board will arrange for him to present them to the members of the Board's organization who are working on the subject, and we will attempt to arrange a mutually convenient time if we will get in touch with the Secretary of the Board about the matter. If he does, however, it should be mentioned that in view of the need for expeditious presentation he should get in touch with the Secretary's Office within the next few days.

"We are enclosing letter from Mr. Klarner together with the attachment in the event you wish to keep them for your files."

Approved unanimously.

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Letter to Mr. Arthur M. Hill, Chairman, National Security Resources Board, reading as follows:

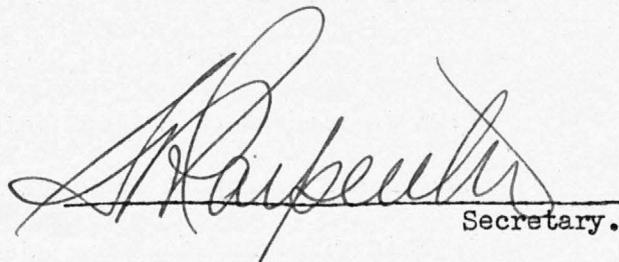
"This will acknowledge your letter of September 17 and express our appreciation of the attention which your Board has given to suggestions relating to the planning of war-time economic stabilization made by the Board of Governors in its letter of August 31.

"With respect to the specific request contained in your recent letter, our Board is fully cognizant of its responsibilities for cooperating in the work of the National Security Resources Board, and it will be glad to aid your planning program by having its staff prepare a statement of issues that would be encountered in the monetary field in the event that war mobilization became necessary.

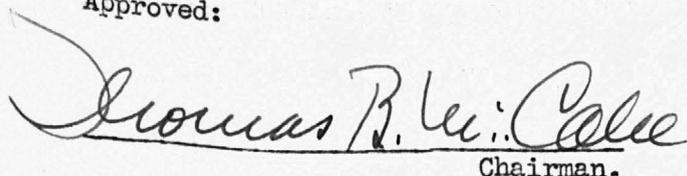
"Arrangements are being made to give the preparation of such a statement a high priority on the Board's agenda of current work. We anticipate that possibly eight weeks will be required to complete a draft statement for your discussion with a special committee representing various Government agencies concerned with the monetary and credit field.

"We have noted your further request for an interim statement from the Board of Governors, to be submitted in the near future, of any specific actions which we believe would be necessary in the monetary field immediately in the event of an outbreak of war. The Board's staff is at present engaged in preparing a draft of such a statement and advice in its development is being obtained from the staffs of the Federal Reserve Banks. We hope to be able to supply you with this statement in a short time."

Approved unanimously.


Secretary.

Approved:


Chairman.