

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 15, 1948.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 14, 1948, were approved unanimously.

Memorandum dated December 10, 1948, from Messrs. Thomas and Southard, Director and Associate Director, respectively, of the Division of Research and Statistics, attaching a cable from the American Embassy in Rio de Janeiro requesting an extension to January 31, 1949 of the assignment of Arthur Hersey, an economist in that Division, to the staff of the United States delegation on the Joint Brazil-United States Technical Commission, and recommending that the request be approved.

Approved unanimously, with the understanding that the State Department and Mr. Hersey would be notified of the Board's action in this matter.

Memorandum dated December 14, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that

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Henry Tate, a laborer in that Division, be granted leave of absence without pay beginning December 15, 1948, for the purpose of entering military duty pursuant to the provisions of the Selective Service Act of 1948, that he be paid 60.7 per cent of one month's unearned salary, together with a lump sum payment for accrued annual leave remaining to his credit as of that date, and that he receive the other benefits outlined in the policy approved by the Board for uniform treatment of employees of the Federal Reserve Banks entering service in the Armed Forces under the Selective Service Act of 1948.

Approved unanimously.

Memorandum dated December 14, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Alvin Bissett, a cafeteria helper in that Division, be accepted to be effective, in accordance with his request, at the close of business December 31, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

Letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of November 30, 1948, relating to the discovery during a recent examination of United Bank and Trust Company, St. Louis, Missouri,

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"of possible violations of Federal statutes relating to misapplication of funds of member banks and political contributions by corporations and a State statute on the latter subject.

"It is noted that your Counsel feels that the possible violations of the Federal statutes, at least, come within the spirit of the Board's letter dated August 19, 1948 (S-1033; F.R.L.S. #6503), relating to the reporting of violations of criminal statutes, and therefore should be reported to the United States District Attorney. However, he feels that the statutes relating to political contributions are not strictly 'banking laws' and that therefore the matter may not be covered by the Board's letter, which refers specifically to violations of 'banking laws'. In the circumstances, you request instructions with respect to the reporting of this matter and other action, if any, which should be taken by your Bank.

"The Board agrees with your Counsel that the possible violations of the Federal statutes mentioned above should be reported to the United States District Attorney in the usual manner, with copies of your report being furnished to the Board for transmission to the Department of Justice. It is understood that State examiners participated in the examination during which the possible violations were discovered, and there appears to be no reason for your Bank to report the possible violation of the State statute to the State authorities. The Board has no suggestions concerning any other action which your Bank should take with respect to this matter."

Approved unanimously.

Letter to "The Exchange National Bank of Chicago", 130 South LaSalle Street, Chicago, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks

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"are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letter to the Presidents of all Federal Reserve Banks, transmitting a copy of a letter dated December 10, 1948 to Mr. C. G. Frantz, President, The Apex Electrical Manufacturing Company, Cleveland, Ohio, reading as follows:

Letter to the Presidents

"The Board has had occasion recently to answer a number of letters from people in various trades suggesting that the restrictions of Regulation W have severely curtailed their business.

"A copy of the Board's reply to one of these letters is sent to you herewith with the thought that it might be helpful to you in answering similar inquiries received by your Bank."

Letter to Mr. Frantz

"We have received your telegram of December 3 informing the Board of the current decline in the sales of durable goods such as household appliances and suggesting that the provisions of Regulation W, particularly the requirement with respect to down payment, be eased.

"Regulation W was designed as a flexible measure with the idea that changes in the down payment and maturity provisions could be adapted, from time to time, to changing economic and credit conditions. The

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"regulation should be viewed, however, as but one part of a broad program designed to prevent economic instability to the extent this can be accomplished through monetary and credit measures. For this reason, decisions to change the provisions of the regulation must be related to the over-all credit and economic situation.

"We appreciate your sending us this information and your views on the regulation. The points you raise will be considered fully in our continuing study of the scope and effect of the regulation."

Approved unanimously.

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

"In connection with a situation brought to its attention under section 6(g) of Regulation W, as amended, the Board has issued the following interpretation which will be published in a forthcoming issue of the Federal Reserve Bulletin:

"Section 6(g) of Regulation W, as amended, applies to the delivery of a listed article 'in anticipation of an instalment sale of that article or a similar article.' If there has been a present instalment sale of a listed article, such sale, of course, is subject to the regulation in the usual manner without regard to section 6(g), and this is true even though a part of the sales agreement gives the buyer an option to return the article, instead of paying the price, and thereby re-vest in the vendor complete ownership or property in the article. However, where a listed article or listed-article 'demonstrator' is delivered to a prospective instalment buyer and he must subsequently in some way manifest his acceptance or willingness to buy before ownership or property in the article or a similar article passes to him, then the original delivery in such a transaction would be of the type covered by section 6(g).

"In order for the Registrant to delay the collection of the necessary deposit equal to the down payment that would be required on an instalment sale of an article such as the one so delivered, the second paragraph of section 6(g), as amended, requires the execution and delivery to the prospective purchaser of a specific

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"written agreement covering the two points set out in such paragraph. If such an agreement is so executed and delivered in connection with an agreement evidencing a present instalment sale, as for example, a conditional sales contract, and collection by the Registrant of the required deposit or down payment is delayed, such an arrangement would not fall within or comply with section 6(g), nor would it comply with the requirements of section 3(a) of the regulation."

Approved unanimously.

Letter to Mr. Myron R. Bone, Vice President, American Industrial Bankers Association, Lincoln Tower, Fort Wayne 2, Indiana, reading as follows:

"This will acknowledge and thank you for your letter of November 19 enclosing a copy of a resolution adopted on November 19, 1948, by the Board of Directors of the American Industrial Bankers Association, regarding Regulation W. The resolution expresses opposition to proposed amendments to the regulation relating to (1) the inclusion of modernization and repair credits and (2) the enforceability of contracts. It also refers to the 'inequities which are currently permitted to exist due to the fact that it is possible for grantors of real estate mortgages to include in their mortgages various listed articles and thereby permit mortgagors to pay for those listed articles over a period of time many times longer than the maximum permitted under Regulation W.'

"The Board appreciates the views of your organization and they will be considered in our study of the subjects mentioned."

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier, Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of December 2, 1948, in which you advised that it appears expenses

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"for 1948 at your head office and branches will exceed budget estimates for the year as follows:

	Head Office	Cincinnati Branch	Pittsburgh Branch
General Overhead	\$49,500		\$ 3,090
Furniture and Equipment			15,100
Provision of Personnel			2,300
Postage and Expressage	18,130	\$13,625	5,700
Insurance	476	112	
Consumer Credit	28,240	6,850	5,035
Currency and Coin		14,740	33,115
Check Collection			3,105
Noncash Collection			965
Accounting			1,080
Legal	5,100		
Bank and Public Relations	5,550	3,330	
Auditing	3,134		
Federal Reserve Note Issues		960	
Foreign	4,000		

"The Board accepts the revised figures as submitted, and appropriate notations are being made on the Board's records."

Approved unanimously.

Letter to Mr. Gales, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of November 26, 1948, in which you advised that it appears expenses for 1948 at your head office and branches will exceed budget estimates for the year as follows:

Function	Head Office	Little Rock Branch	Louis- ville Branch	Memphis Branch
General Overhead				\$3,995
Provision of Space		\$4,725	\$ 2,723	3,557
Furniture and Equipment			15,417	7,749
Provision of Personnel	\$18,000	2,249		
General Service		3,906	6,809	11,729
Postage and Expressage		2,730		7,693
Stock of Supplies	3,000			1,881
Insurance				402
Discount and Credit			547	

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<u>Function</u>	<u>Head Office</u>	<u>Little Rock Branch</u>	<u>Louis-ville Branch</u>	<u>Memphis Branch</u>
Consumer Credit	\$23,652	\$2,392	\$2,738	\$1,070
Securities		683		
Currency and Coin	15,800			8,262
Check Collection		3,141		6,027
Noncash Collection		1,549	614	
Accounting				339
Bank and Public Relations		1,313	6,722	1,163
Auditing				1,398
Research and Statistical			479	118
Foreign	6,000			

"The Board accepts the revised figures as submitted and appropriate notations are being made on the Board's records."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of November 30, 1948, in which you advised that it appears expenses for 1948 at your head office and branches will exceed budget estimates for the year as follows:

<u>Function</u>	<u>Head Office</u>	<u>Denver Branch</u>	<u>Oklahoma City Branch</u>	<u>Omaha Branch</u>
General Overhead	\$21,547			\$1,260
Provision of Space				766
Furniture and Equipment	11,463			
Provision of Personnel	1,877	\$5,383	\$ 519	3,424
General Service		8,978		
Postage and Expressage	24,153	2,716	4,547	6,772
Stock of Supplies	254	1,767		1,663
Insurance		367	111	309
Discount and Credit			549	383
Consumer Credit	21,227	2,960	3,103	3,800
Securities	547		527	1,487
Currency and Coin	11,363	9,181	10,243	4,244
Check Collection		1,591	23,000	12,314
Noncash Collection		1,905	952	
Accounting		5,628		2,179
Legal				100

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<u>Function</u>	<u>Head Office</u>	<u>Denver Branch</u>	<u>Oklahoma City Branch</u>	<u>Omaha Branch</u>
Bank and Public Relations	\$22,023	\$ 241		
Auditing		1,663	\$1,412	\$2,270
Bank Examination	3,671			
Federal Reserve Note Issues	10,901	211	629	1,246
Research and Statistical		11		
Foreign	4,530			

"The Board accepts the revised figures as submitted, and appropriate notations are being made on the Board's records."

Approved unanimously.


Secretary.

Approved:


Chairman.