Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 19, 1949.

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. Thurston, Assistant to the Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 18, 1949, were approved unanimously.

Telegrams to the Federal Reserve Banks of St. Louis and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on January 18, 1949, and by the Federal Reserve Bank of St. Louis today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated January 14, 1949, from Mr. Evans recommending an increase in the basic salary of James F. Hamilton, a messenger in Mr. Evans' office, from $2,498.28 to $2,573.52 per annum, effective January 23, 1949.

Approved unanimously.
Letter to Mr. Rounds, Chairman of the Retirement Committee, Retirement System of the Federal Reserve Banks, Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of January 7, 1949, with respect to the request of Mr. John R. Van Fossen to withdraw his additional voluntary contributions to the Retirement System which were credited to his account by reason of the change in the Retirement Plan on January 1, 1944.

"The rules of the Retirement System provide that any additional contributions are subject to withdrawal only in the form of an annuity at retirement or refund on death or separation from service without a retirement benefit. Employees were fully informed of this provision in the rules when they made the additional contributions.

"In view of all the circumstances the Board has concluded that it would not be justified in making an exception to the rules to permit Mr. Van Fossen to withdraw the additional voluntary contributions."

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of January 17, 1949, the Board approves the appointment of William B. Cloe, Jr., as an assistant examiner for the Federal Reserve Bank of Richmond. If the appointment is not made effective February 1, 1949, as planned, please advise us."

Approved unanimously.

Letter to Mr. Powell, Secretary of the Board of Directors, Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Sheldon V. Wood, John M. Bush, and
"Albert C. Miller as members of the Industrial Advisory Committee for the Ninth Federal Reserve District to serve for terms of one year each, beginning March 1, 1949, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Minneapolis, as reported in your letter of January 14, 1949."

Approved unanimously.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors appreciates very much your letter of December 29, 1948, in response to its letter of December 22 relating to the Auditing Department of your Bank.

"If steps are taken as outlined in your letter, they will bring the Auditor into more effective regular contact with your directors and enable them better to appraise the quality of his work. The Board wishes to urge that everything possible be done to obtain the most competent employees for the Auditing Department and that the auditing staff be maintained at the highest possible standard in the interest of providing the Bank with the best auditing services available."

Approved unanimously.

Letter to the board of directors of the "Southside Bank", Tappahannock, Virginia, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System, and for the appropriate amount of stock in the Federal Reserve Bank of Richmond. The letter also contained the following statement:

"It appears that the bank possesses trust powers and certain other powers which are not being exercised
"and which are not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds and other obligations. Attention is invited to the fact that, if the bank desires to exercise any powers not actually exercised at the time of admission to membership, including trust powers, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Southside Bank, Tappahannock, Virginia, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking for the Commonwealth of Virginia, for his information.

"Since the amount of losses estimated in the report of examination for membership is reported to have been charged off, the usual condition of membership requiring the elimination of losses has not been prescribed.

"Information submitted with the application indicates that the bank's investment policies in the past have shown speculative tendencies and that its loan policies have been quite liberal. The F.D.I.C. reports that the bank has long been considered a problem institution because of unwise management policies, and the supervising examiner indicated that the application for membership may have been actuated by the management's desire to escape increasing pressure which has been brought to bear by F.D.I.C. and State authorities. It has been noted,
"however, that the bank's board of directors has been
decidedly more active within recent months in direct-
ing and improving the affairs of the bank and that
you feel that they will continue to do so. The ap-
plication has been approved with the understanding
that the Reserve Bank will follow the situation
closely with a view of strengthening the management
and eliminating all causes for criticism."

Letter to the Presidents of all Federal Reserve Banks

reading as follows:

"In reply to a recent inquiry concerning Regulation W, the Board issued the following interpretation:

A Registrant, a vendor of automobiles, de-
sires to advertise and arrange by side agree-
ment or understanding that the first instal-
ment payment of the time balance arising from
the instalment sale of an automobile will be
waived or paid by the Registrant, depending
on whether the instalment obligation is re-
tained or sold by the Registrant to a sales
finance company. Such side agreement or un-
derstanding would not be contained in the in-
stalment obligation itself.

The Board's view is that such an arrange-
ment, in effect, would constitute provision
for refund of a part of the required down pay-
ment contrary to sections 3 and 6(i) of the
regulation. As indicated in W-41 of December
24, 1948, the regulation does not prohibit a
bona fide discount or rebate on the sales price
of a listed article if the down payment and
time balance are calculated upon a 'cash price'
net of discount. Clearly the arrangement in
question would not conform with W-41.

Although the regulation does not specif-
ically state that the first instalment payment
be scheduled to fall due not later than one
month or one month and fifteen days subsequent
to the date of an instalment sale or loan, the
Board is of the view that such a requirement
is clearly indicated from the pertinent sec-
tions of the regulation. Because of this and
"the requirement that the instalments be arranged for payment at approximately equal intervals not exceeding one month, it would not be sufficient if the credit terms merely provided for final payment within the applicable maximum maturity. Therefore, an arrangement or understanding at the time the credit is extended providing for the skipping of any instalments, including the first instalment, would be contrary to the regulation unless, of course, the case were such as might be covered under section 6(a)."

Approved unanimously.

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

"Referring Miller's letter January 18 regarding Philippine drafts. In view of all the circumstances, Board has added for temporary period of 90 days Republic of Philippines to countries referred to in paragraph 12 of section 13 of Federal Reserve Act. Comprehensive study necessary before determining whether such addition should be made permanent."

Approved unanimously.

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

"Referring your January 11 and January 12 letters, Board will interpose no objection to your proceeding as outlined in your letters (1) with execution of a contract for the purchase of six vault doors from the Mosler Safe Company at a total cost of $148,698; (2) with the execution of contracts with the Soule' Steel Company for furnishing Steelcrete vault reinforcing at a total cost of $58,600 for the Seattle vault and $52,700 for the Portland vault, which amounts do not include cost of necessary additional steel reinforcing bars; and (3) with the execution of contracts with the Hermann Safe Company
"for the furnishing and installation of the heavy interior vault equipment at a cost of $35,802 for the Seattle building, after allowance of $1,600 for equipment available at head office, and $31,874 for the Portland building."

Approved unanimously.

Memorandum dated January 17, 1949, from Mr. Vest, General Counsel, recommending, for the reasons stated in the memorandum, that payment be authorized of a voucher covering the cost of a roomette from St. Louis, Missouri, to Washington, D. C., for Jerome W. Shay, Assistant Counsel, in connection with his attendance at the Regulation W Regional Conferences at the Federal Reserve Banks of Minneapolis and Kansas City from January 4 to January 13, 1949, under authorization dated January 3, 1949.

Approved unanimously.

Memorandum dated January 19, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending, for the reasons stated in the memorandum, that the Division of Administrative Services be authorized to pay the travel expenses, in accordance with the Board's travel regulations, of any representative of a Reserve Bank who was working with the Division of Bank Operations in connection with Regulation W.

Approved unanimously.

Memorandum dated January 14, 1949, from Mr. Millard, Director of the Division of Examinations, recommending for the reasons
Stated in the memorandum, that Mr. Masters, a Federal Reserve Examiner in that Division, be reimbursed in the amount of $24.09 for Pullman and railroad transportation from Boston to Washington.

Approved unanimously.

Approved:

[Signature]

Chairman.