

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 27, 1949. The Board met in the Board Room at 9:10 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. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Director of the Division of Research and Statistics
 Mr. Vest, General Counsel
 Mr. Millard, Director of the Division of Examinations
 Mr. Townsend, Solicitor
 Mr. Sloan, Assistant Director of the Division of Examinations
 Mr. Wilkes, Federal Reserve Examiner

Mr. Szymczak referred to the discussion at the meeting of the Board on January 14, 1949, of the application of Bank of America N. T. & S. A. for foreign branches in Germany and Siam, stating that a luncheon meeting with Comptroller of the Currency Delano and Federal Deposit Insurance Corporation Director Cook had been scheduled for Monday, January 24, 1949, that shortly before the luncheon word was received from their offices that they would not be available, that Deputy Comptroller Robertson said that he would come over to represent Mr. Delano if it seemed essential but that

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he preferred not to do so, and that it was indicated that the Federal Deposit Insurance Corporation would send Mr. Sailor, Chief of the Division of Examination, to the meeting if it was held.

Mr. Szymczak added that, under the circumstances, Mr. Clayton that afternoon sent Messrs. Delano and Cook copies of a memorandum prepared in the Division of Examinations under date of January 19, 1949, relative to the application for the Siam branch with the following letter, which was read by the Secretary:

"Attached hereto is a copy of a memorandum from the Board's Division of Examinations to Governor Szymczak and me relating to the application of the Bank of America National Trust and Savings Association for permission to establish a branch at Bangkok, Siam. This is the paper that we had hoped to discuss with you and Mr. Cook at the luncheon meeting today which was not held because of your inability to be present.

"As soon as you have looked over this memorandum Governor Szymczak and I would like to meet with you and Mr. Cook at your convenience, preferably some day this week, to discuss the matter further with you. Will you please advise."

In a further comment, Mr. Szymczak stated that repeated efforts had been made since last November to have a meeting with Comptroller Delano and Federal Deposit Insurance Corporation Chairman Harl, or in his absence with Director Cook, for the purpose of discussing the entire question of foreign branches and their relationship to domestic branches, and that tentative dates for meetings had been made upon several occasions but that because either

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Mr. Delano or Mr. Cook could not be present, no meeting had been held until January 10, 1949. Mr. Szymczak also said that, although the Board had written Comptroller Delano on November 30, 1948, asking whether there were any reasons relating to the capital structure of the Bank of America, its loan or dividend policies, or other pertinent questions, upon the basis of which the application for permission to establish a branch at Bangkok, Siam, should be rejected by the Board, no reply had been received until January 6, 1949, at which time a letter dated December 30, 1948, was received from Mr. Delano stating that his office "will interpose no objection to the granting of this application". He added that a letter also was written to the Federal Deposit Insurance Corporation on November 30 asking whether, from the standpoint of the Corporation's position as an insurer of the domestic deposits of the Bank of America, there were any reasons why the application for a branch in Siam should not be granted, and that no reply was received until the morning of January 25, 1949, when a letter dated January 19 was received from Director Cook stating that "this office will interpose no objection to your granting consent to this application". In view of these developments and in view of the cancellation of the meeting scheduled for January 24, Mr. Szymczak said, he and Mr. Clayton had reached the conclusion that nothing would be accomplished that would help in making a decision on the applications

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of Bank of America N.T. & S.A. by continued efforts to arrange a meeting with Messrs. Delano and Cook.

Mr. Szymczak went on to say that he understood that a message had been received by the State Department from Mr. Stanton, Ambassador to Siam, dated January 6, 1949, which indicated that the Chase National Bank recently made a request to the Siamese Ministry of Finance for permission to open a branch in Siam, that the request had been denied on the grounds that only one bank from each foreign country would be permitted, and that if the application of Bank of America was to be denied the Embassy would like to inform the Chase National Bank that the way was open to proceed with its application. Mr. Szymczak also referred to a letter from Assistant Secretary of State Thorp, dated January 26, 1949, reading as follows:

"Mr. James T. Scott, Adviser for Economic Affairs to the Siamese Government, has called frequently on officers in the Department of State to inquire what progress is being made in regard to the application of the Bank of America to be permitted to open a branch at Bangkok. Mr. Scott states that the Siamese Government is very much interested in having an American bank established there.

"Officers in the Department have inquired informally of officers in the Federal Reserve Board concerning the application of the Bank of America which has apparently been under consideration for some time. It was suggested that it would be helpful if the interest of the Siamese Government and of the Department of State were put on record for consideration by the Federal Reserve Board.

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"Aside from the interest of the Siamese Government, as indicated by Mr. Scott, the Department of State is eager to support every reasonable effort to consolidate the good relations existing between Siam and the United States. Siam is at present the only independent nation from Japan to India, on the mainland of Asia, which is comparatively untroubled by Communism and which is openly friendly to the United States. Since World War II, more American business firms have been established in Bangkok than at any previous time. This Government has been making extensive purchases of Siamese rice, tin and rubber, and as a consequence, Siam has the largest dollar credit it has ever had. It is believed that if there are no overriding considerations involved, it would be helpful to United States-Siamese relations if the request of the Bank of America were granted."

Because the State Department appeared to be anxious for a decision in the matter, Mr. Szymczak said, and because no word had been received from Comptroller Delano or Director Cook in response to Mr. Clayton's letters of January 24, the matter had been placed on the agenda for consideration at this meeting of the Board.

Mr. Szymczak stated that the entire matter had been fully reviewed in the light of all of the material received and that, while he originally recommended approval of the applications of Bank of America N.T. & S.A. for three branches in Germany, as a result of the study of information developed in connection with the application for the Siam branch he now recommended that the applications for the branches in Germany and for the Siam branch be denied on the grounds that: (1) the bank was in an over-extended condition, and (2) the ability of the bank to operate

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successfully in the foreign banking field had not been demonstrated sufficiently to justify further expansion at this time. Mr. Szymczak added that his recommendation was not based on a consideration of how much capital was needed in the operation of the additional foreign branches requested, but on the condition of the bank as a whole.

In response to a question from Mr. Vardaman as to what further action would be taken if the applications for foreign branches were denied on the grounds recommended by Mr. Szymczak, he (Mr. Szymczak) stated that he would suggest that the Board immediately notify the Comptroller of the Currency, who had the initial supervisory responsibility for the condition of national banks, as to the Board's views with respect to the capital position of Bank of America and its lending and dividend policies. He then asked Mr. Millard to present and discuss a memorandum prepared in the Division of Examinations under date of January 26, 1949, which included the following table of capital ratios:

"MEMBER BANK CAPITAL PERCENTAGES

	1948	1947	1946	1945	** 1944	* 1940	% Change 1935-1948
Percentage of Capital Accounts to Total Assets							
Bank of America NT&SA	4.9	4.5	4.2	4.1	4.8	8.7	-40.2
Twelfth District	4.9	4.6	4.4	4.0	4.5	8.3	-46.7
Twelfth District minus Bank of America	5.0	4.7	4.5	3.9	4.3	8.1	-47.9
United States	6.8	6.4	6.4	5.5	5.9	9.1	-41.9

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	1948	1947	1946	1945	** 1944	* 1940	% Change 1935-1948
<u>Percentage of Capital Accounts to Risk Assets</u>							
Bank of America NT&SA	9.2	8.9	10.7	16.1	16.9	14.8	-42.5
Twelfth District	12.6	12.5	14.6	19.4	20.8	17.1	-28.4
Twelfth District minus Bank of America	15.3	15.6	17.7	21.8	23.5	18.5	-15.9
United States	20.1	20.5	23.4	25.2	27.7	24.9	-23.6

*Bank of America NT&SA
/ sold 12,000,000 pfd. for \$30,000,000, of which \$18,000,000 went to surplus.

**Bank of America NT&SA
/ sold 800,000 shares of common for \$41,161,530, of which \$10,000,000 went to capital stock.

In his comments Mr. Millard stated that, despite the injection of \$30,000,000 and \$41,000,000 in capital funds in the years 1940 and 1944, respectively, the ratio of capital funds to risk assets of the Bank of America declined from 16 per cent on December 31, 1935, to 9.2 per cent on June 30, 1948, a net deterioration of 42.5 per cent, and that during the same period the deterioration indicated for all banks in the Twelfth Federal Reserve District was 28.4 per cent, for all Twelfth District banks other than Bank of America, 15.9 per cent, and for all member banks in the United States, 23.6 per cent. Mr. Millard added that, in his opinion, this deterioration in capital position of Bank of America was all the more significant because it was now the largest commercial bank in the world and because, as pointed out in the memorandum, its risk-asset position did not compare favorably with other United States banks now engaged to a comparable extent in the operation of foreign branches.

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Mr. Millard also said that his comments were directed to the extended position of the bank as a whole and not to capital funds as related to the question of establishing the foreign branches now under consideration, and that it was felt that such expansion should not be undertaken by the bank unless and until its over-all financial condition was improved, either through an adjustment of credit policy or a material increase in capital funds.

There followed a discussion of foreign branches authorized for Bank of America, during which it was stated that the bank had maintained a branch in London, England, since 1931 and that since May 1946 branches had been authorized at Manila, R. P., Shanghai, China, Tokyo, Yokohama, and Kobe, Japan, and that of these more recently authorized branches all but the one in Shanghai had been established and were in actual operation. It was also stated that the Office of the Comptroller of the Currency, which had the primary responsibility for examining foreign branches of national banks, had made no examinations of the foreign branches established by Bank of America since May 1946, and that it was the practice of that office to make such examinations only at intervals of several years.

Mr. Szymczak then referred to the letter from the Comptroller of the Currency dated August 30, 1948, in which it was stated that "foreign branches, in comparison with domestic branches, constitute

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a greater expansion of the Bank of America system and a much greater drain upon the capital position of the bank"; to another letter from Comptroller Delano dated September 20, 1948, stating that "it is the opinion of this office that the question of foreign branches for the Bank of America involves the same principle as domestic ones - the difference being only one of degree. The same considerations, so far as monopoly is concerned, apply in both instances"; and to the Board's letter of November 30, 1948, to Mr. Delano asking whether there were any reasons relating to the capital structure of the Bank of America, its loan or dividend policies, or other pertinent considerations which would make it undesirable to approve the application for permission to establish a branch at Bangkok, Siam, to which Comptroller Delano replied under date of December 30, 1948, that his office would interpose no objection to the granting of the application. He then stated that there was another side to this matter which would be presented by Mr. Clayton, and for which a great deal could be said.

There followed a discussion of Mr. Szymczak's recommendation, after which Mr. Clayton stated that he would like to present an alternative recommendation. In this connection Mr. Townsend, in response to a question from Mr. Clayton, stated that the approval or denial of the foreign branch applications received from Bank of America would have no effect on the Board's proceeding against

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Transamerica Corporation under the Clayton Act in so far as legal questions were involved, but that it might be difficult to explain to the public why the Board granted permission to establish foreign branches when it was trying to prevent further domestic expansion and that the Comptroller of the Currency had taken the position that, from the standpoint of monopoly, foreign branches involved the same question as domestic branches.

Mr. Clayton stated that his recommendation was that the applications of Bank of America for three branches in Germany and for a branch in Bangkok, Siam, be approved. He added that, to accomplish the Board's objective with respect to the capital position and loan and dividend policies of the bank, he would make this action contingent upon a prior examination and satisfactory report as to the condition and present operating practices of the existing foreign branches of the bank. If that was impracticable because of the delay that would result, he said, permission for the additional branches should be granted with the statement that no additional foreign branch applications by the bank would be given favorable consideration until

- (1) capital ratios, loan and dividend policies, and other supervisory questions had been resolved to the satisfaction of the Board, and
- (2) a reasonable time had elapsed for an appraisal of the results of operation of branches approved thus far.

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Mr. Clayton added that his recommendation was made in the light of all the information referred to in the preceding discussion and in the light of the favorable recommendation of the Federal Reserve Bank of San Francisco after having made an exhaustive survey of the application, the lack of objection to establishment of the branches by the Comptroller of the Currency and the Federal Deposit Insurance Corporation, the apparent need for American banking facilities in Bangkok, and the interest of the State Department in having such facilities established. He added that approval of the applications would be demonstrable proof that the Board was not actuated by punitive or dictatorial motives in the Clayton Act proceeding against Transamerica.

During a discussion of the recommendations of Messrs. Szymczak and Clayton, reference was made to the meeting with Deputy Comptroller Robertson and Federal Deposit Insurance Corporation Director Cook on January 10, 1949, at which time Mr. Robertson stated that, in response to the Board's letter of April 8, 1946, asking whether the Comptroller of the Currency knew of any reasons why permission should not be granted Bank of America to establish branches in Manila and Shanghai, the Comptroller replied under date of April 12, 1946 that, "in the absence of an affirmative and convincing showing that the foreign trade in the area served by the bank would suffer without such facilities, it is our opinion that the diversion of capital funds to

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"newly undertaken foreign activities may be unwise in view of the capital position of this bank". Mr. Szymczak stated that Mr. Robertson also indicated that, although no examination of the operations of the Manila branch had been made by the Office of the Comptroller, that Office had information indicating that some over-extensions of credit had been made by the Manila branch, and that he (Mr. Szymczak) responded to Mr. Robertson that if, as indicated by the Comptroller in his letter of April 12, 1946, it was then true that diversion of capital funds to newly undertaken foreign activities might be unwise in view of the capital position of the bank, such a conclusion would apply with even greater force at this time since the capital position of the bank had not improved in the meantime but had, in fact, deteriorated.

Mr. Szymczak stated the further view that, if the condition existing at the time of the Comptroller's letter of April 12, 1946 was as serious as indicated by that letter, and inasmuch as the Comptroller who is the supervisory authority for national banks had not done anything about improving the condition of the bank since that time although it had continued to grow both in number of branches and deposits, he could not think of any action that would be more effective in bringing the situation to a point where the Comptroller would require certain things to be done than to withhold permission for additional foreign branches.

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In the ensuing discussion, Chairman McCabe suggested that a further effort be made to meet with Comptroller Delano and Chairman Harl, especially if the applications were to be denied.

It was agreed unanimously (1) that Mr. Szymczak would inform Assistant Secretary of State Thorp that the application of Bank of America N.T. & S.A. for permission to establish a branch in Siam was having the careful consideration of the Board and that it was hoped to expedite a decision, and (2) that Messrs. Szymczak and Clayton would undertake again to arrange a conference with Messrs. Delano and Harl.

Chairman McCabe referred to the discussion at the meeting of the Board on December 6, 1948, and at the Conference of Chairmen of the Federal Reserve Banks on December 9 and 10, 1948, with respect to a committee to be composed of three Chairmen of the Federal Reserve Banks and two members of the Board to survey budget procedures of the Federal Reserve Banks and he read a letter from Mr. Dearmont, Chairman of the Chairmen's Conference, dated January 18, 1949, stating that he contemplated the appointment of Mr. Neely, Chairman of the Atlanta Bank, as Chairman of this committee, and of Mr. McCormick, Chairman of the Richmond Bank, and either Mr. Parten, Chairman of the Dallas Bank, or Mr. Whittier, Deputy Chairman of the Philadelphia Bank, as the other members.

Chairman McCabe proposed that as suggested in Mr. Dearmont's letter, Messrs. Vardaman and Clayton be appointed to serve with the

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Chairmen as members of the committee.

Upon motion by Mr. Draper, Chairman McCabe's suggestion was approved unanimously.

Chairman McCabe stated that he had received a telephone call from Mr. Hoffman, Administrator for the Economic Cooperation Administration, requesting the loan of Mr. Hirschman, an economist in the Division of Research and Statistics, to assist in the Economic Cooperation Administration program for a period of time.

At Chairman McCabe's suggestion, it was agreed unanimously that Messrs. Szymczak and Thomas should discuss the matter with Mr. Hoffman.

At this point Messrs. Riefler, Thomas, Vest, Millard, Townsend, Sloan, and Wilkes withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 26, 1949, were approved unanimously.

Memorandum dated January 25, 1949, from Mr. Nelson, Director of the Division of Personnel Administration, recommending, for the reasons stated in the memorandum, that the assignment of Arthur Hersey, an economist in the Division of Research and Statistics, with the United States Economic Mission to Brazil be extended from January 31 to the end of February 1949.

Approved unanimously.

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Letter to Mr. Merriam B. Barthold, Secretary, Philadelphia Stock Exchange, Philadelphia 2, Pennsylvania, reading as follows:

"In your letter of January 7, 1949, you asked how long it would be necessary to keep in your files the original requests for extensions of time under Regulation T made by your member firms.

"For our purposes, it will not be necessary for you to keep these reports on file for more than a two-year period."

Approved unanimously.

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

"In connection with your next quarterly reply to S-953, dealing with banking and business developments in your District, it would be helpful if special attention would be given to recent tendencies in the durable goods and instalment credit field. In preparation for this report we are hopeful that you may be able to make a spot survey covering a small number of leading automobile, household appliance, and furniture dealers located in principal trading centers, together with a few banks and finance companies with which you have especially close relationships. In reporting such a survey, the important thing, of course, is the evaluation of the indicated tendencies, rather than the reporting of isolated items of information. It would be helpful, also, if you would supplement your reporting with any views as to significant developments in the Regulation W field that may have been expressed by Directors of your Bank at meetings of the Board of Directors.

"The following questions will illustrate developments in the instalment credit field of particular interest at this time:

1. With respect to regulated articles, is there evidence of recent undue inventory accumulation? If there is no general evidence, are there any unsatisfactory inventory situations for individual articles or makes of articles?

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"2. Are premiums still prevalent on 'used' new cars and, if so, for what makes and about how large? To what extent is there increasing evidence of price or other merchandising concessions by sellers of automobiles, household appliances, and furniture? Does it appear that such tendencies are probably seasonal, or greater than could be explained by seasonal or other temporary influences?

3. Are banks and finance companies showing increasing reluctance to handle any type of retail instalment paper? What explanations are offered for such tendencies?

4. Is there any tendency for financing institutions to tighten credit lines extended to dealers for floor plan financing or other wholesale transactions?

5. Are reports becoming more frequent that dealers in durable goods lines are financially over-extended?

6. To what extent have there been lay-offs in manufacture and distribution of regulated durable goods? Have such lay-offs resulted from recent sales declines or from other factors, such as model changes, inventory-taking, supply shortages, etc.?

"While we are asking for this information in connection with your next quarterly reply to S-953, we would appreciate your forwarding an interim report as soon as you have partial results on your spot survey, to reach the Board's offices not later than February 14. Your more complete report will, of course, be due approximately ten days after the end of the reporting period, February 28.

"In connection with the Board's continuing review of Regulation W, it will be desirable for your Bank to make recurrent spot surveys of tendencies in the durable goods and instalment credit business in your District. Reports on these surveys will help to keep the Board informed of significant further developments in the field until present uncertainties as to the consumer credit outlook are clarified. The Board is particularly interested in watching these current developments closely and for the period from now until the end of July would appreciate your sending a monthly report on this field of activity to be mailed to arrive at the Board's offices no later than ten days after the end of the month. They may be referred to as supplements to your replies to S-953."

Approved unanimously.

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

"The following statement regarding appraisal guides will be published in a forthcoming issue of the Federal Reserve Bulletin. A copy of the statement is being forwarded today to the publisher of each of the designated appraisal guides.

"The Board has been asked when the provisions of Part 4 of the Supplement to Regulation W will require reference to an automobile appraisal guide in determining the minimum down payment to be obtained on used 1949 model automobiles. Certain of the appraisal guides have not yet included estimated retail prices for any 1949 models. Although certain 1949 car models have been introduced, others are scheduled for later introduction.

"The Board has ruled that it will not be necessary to refer to appraisal guides with respect to used 1949 automobiles until the Board has published in the Federal Register a notice that such reference is required. The Board does not plan to place such a requirement in effect with respect to used 1949 automobiles until all designated appraisal guides publish retail values for such models, and it is also planned that by that time the designated appraisal guides will contain information as to the date on which the requirement comes into effect. The maximum amount of credit that can be extended for used 1949 automobiles until the Board publishes the notice referred to above will, of course, be two-thirds of the cash price.

"In anticipation of the inclusion of 1949 used car prices in certain of the appraisal guides that have particular problems of limited space, the Board has ruled that, effective April 1, 1949, the appraisal guide provisions of Part 4 of the Supplement to Regulation W will no longer apply to used 1938 automobile models. Starting on that date, therefore, the maximum amount of credit which can be extended for used 1938 and older models will be two-thirds of the cash price."

Approved unanimously.

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Telegram to Mr. Watkins, Assistant Manager, Los Angeles Branch of the Federal Reserve Bank of San Francisco, reading as follows:

"Reurtel January 26 concerning Kelley Blue Book. Yesterday afternoon Mr. Neuman representing Kelley Blue Book spoke on telephone with Mr. Sherman, Assistant Secretary to the Board, regarding matter. It is understood from Mr. Neuman that Kelley Blue Book will follow suggestion in next to last paragraph of our telegram of January 25 that persons to whom previous postcard was sent be advised that last paragraph of postcard was in error and that the 5 per cent reduction suggested by the postcard must be considered applicable for Regulation W purposes as well as any other purposes.

"Mr. Neuman stated that Kelley Blue Book plans to have March-April issue of its book in hands of subscribers by February 10. Ordinarily this book would not become effective until March 1 and the book would so state. However, if Board is agreeable, Kelley Blue Book proposes to advise subscribers that the March-April book in this particular instance shall be substituted for the January-February issue effective upon receipt by the subscriber and that thereafter January-February issue shall no longer be effective. You are authorized to advise Kelley Blue Book that Board has no objection to this procedure in this particular instance.

"You are also authorized to give a copy of this telegram to Mr. Neuman for Kelley Blue Book."

Approved unanimously.

Letter to Mr. D. L. Gibbs, Boggs & Gibbs, Barnett National Bank Building, Jacksonville 2, Florida, reading as follows:

"This refers to your letter of January 11, 1949, and its enclosure dated November 11, 1948, to Mr. George B. Vest, General Counsel to the Board, concerning applicability to your client, Bisbee-Baldwin Corporation, Jacksonville, Florida, of the Board's Regulation W.

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"The principal question raised by the above correspondence seems to be whether an entire mortgage loan to finance or refinance the purchase or construction of a house is exempt from the regulation under section 7(d)(5) or section 7(g)(1) thereof, if a portion of the credit covers one or more articles listed in Part 1 of the Supplement to the regulation, which are installed in the house being so financed.

"Any credit guaranteed or insured in whole or part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of the Servicemen's Readjustment Act of 1944, is specifically exempt from the regulation by section 7(d)(5). Thus, so long as a particular credit qualifies for exemption under section 7(d)(5), it is immaterial whether all or a part of the credit may be used for the purchase of 'listed articles.' Section 7(d)(5) applies independently of section 7(g). This appears to conform with your views.

"Section 7(g)(1) of the regulation exempts any credit for the purpose of financing or refinancing the construction or purchase of an entire residential building or other entire structure. This exemption extends to a loan to construct or purchase a house, including a house in which certain 'listed articles' are incorporated, as indicated in the Summary of Interpretations published at 13 Federal Register, pages 5638, 5640, September 29, 1948. This also appears to conform with your views.

"A mortgage loan, however, which is not for the purpose of financing or refinancing the construction or purchase of an entire residential building or other entire structure, would not be entitled to exemption under section 7(g)(1). Nor would an extension of credit be exempt in its entirety which combines an exempt credit such as one to repair a house as referred to in section 7(g)(2), and a credit subject to the regulation such as one to finance a 'listed article.' In such a case, the extension of credit should not exceed the total amount of the cost of the repairs plus the cost of the 'listed article' minus the down payment required thereon by the regulation; and the instalments in which the credit is payable must be sufficiently large to repay the balance of the cost of the 'listed article' within the maturity specified in Part 2 of the Supplement to the regulation. The division of such a credit is provided for in section 6(d) of the regulation. The above

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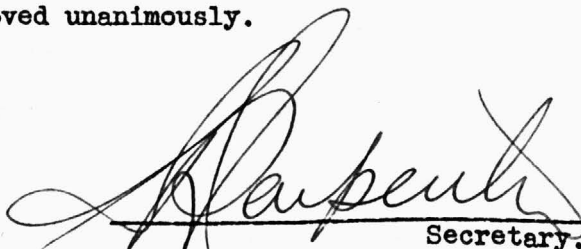
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"views are also published at 13 Federal Register, pages 5638, 5640.

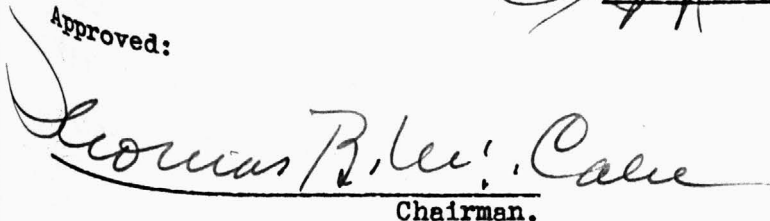
"On the basis of the facts revealed in your letter and its enclosure, it would appear, in the light of the above discussion of the regulation, that your client is not subject to the regulation and not required to register. However, application of the regulation to a particular person or business is not dependent upon registration, since a person engaged in a business of a character covered under the regulation is subject thereto regardless of whether there has or has not been a registration. Unless it is clear, therefore, that your client's business is all of the kinds specifically exempt from the regulation, it would be advisable that it register. We understand that it was because of some uncertainty as to the precise character of business carried on by your client that the Federal Reserve Bank of Atlanta advised registration. Registration, of course, is without prejudice where, in fact, all credit extended by the Registrant is of an exempt character.

"The administration of the regulation has been decentralized among the Federal Reserve Banks and their branches. Therefore, you may find it more convenient to address such future questions under the regulation as you may have to the Federal Reserve Bank or branch for the area concerned. Handling of correspondence in that manner, even though involving a point which ultimately receives the attention of the Board, expedites the making of reply. A copy of the regulation, as amended, is enclosed herewith."

Approved unanimously.


Secretary.

Approved:


Chairman.