

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, August 23, 1949.

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

Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 22, 1949, were approved unanimously.

Memorandum dated August 15, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Thomas Lee Smith, an economist in that Division, from \$8,150.40 to \$8,389.80 per annum, effective September 4, 1949.

Approved unanimously.

Memorandum dated August 22, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Raymond C. Kolb, an analyst in the Division of Bank Operations, be transferred to the Division of Administrative Services as Chief, Machine Tabulation Section, with basic salary at the rate of \$5,232 per annum, effective September 4, 1949. The memorandum also stated that the Division of Bank Operations was agreeable to this transfer.

Approved unanimously.

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

8/23/49

-2-

of Richmond, reading as follows:

"This refers to Mr. Wallace's letter of August 9, 1949, and enclosures, and previous correspondence with regard to the question whether the service of Mr. James M. Johnston as a member of the firm of Johnston, Lemon & Company and as a director of The National Bank of Washington, Washington, D. C., is prohibited by section 32 of the Banking Act of 1933.

"The information furnished the Board through your bank shows that the gross profits of the firm of Johnston, Lemon & Company from underwriting for the calendar years 1945 to 1948, inclusive, averaged 50.5 percent of the total profits and commissions of the firm reported in such information, comprising gross profits from sales of securities for the firm's own account, commissions received from brokerage transactions (not including transactions in which the commissions were paid to others) and the gross profits from underwriting. If the commissions paid to others are included in the total, the profits from underwriting for the past four calendar years would average 43.6 percent. On the basis of these facts alone, it appears that the firm is primarily engaged in the type of business described in section 32.

"It will be appreciated if your bank will advise Mr. Frost, who has been representing Mr. Johnston in this matter, of the Board's views and advise him that before the Board expresses a definite opinion it will afford Mr. Johnston or Mr. Frost an opportunity to present any additional information to your bank for transmission to and consideration by the Board of Governors."

Approved unanimously.

Letter to Mr. Hubert B. Lake, Cashier, The Tucker County Bank, Parsons, West Virginia, reading as follows:

"This will acknowledge receipt of your letter of August 10, 1949, with respect to the trade practice conference called by the Federal Trade Commission for September 15 in Washington on the subject of deceptive 'packing' practices in the instalment financing of automobiles.

8/23/49

-3-

"Matters affecting credit conditions are, of course, of special interest to this Board, and the vesting in the Board of responsibility for the administration of Regulation W was in accord with the Board's credit functions. While Regulation W required the disclosure of certain facts connected with instalment financing, such disclosure was not required in detail. The requirements with respect to the disclosure of facts were essentially for the purpose of aiding in the administration of the basic provisions with respect to the volume of credit outstanding, such as the down payment and maturity provisions.

"The proposal of the Federal Trade Commission appears to follow the usual procedure of the Commission in connection with its responsibility for the prevention of 'unfair or deceptive acts or practices in commerce', and apparently will not relate to down payments, maturities, or other such matters of credit regulation. Inasmuch as banks are among the institutions engaged in automobile financing, the Board felt that some member banks might be interested in the opportunity to participate in the September 15 conference. It also seemed that some might wish to contribute toward the attainment of a uniform approach to the problem and a healthier competitive situation for all concerned.

"We naturally are glad to have the benefit of your views on these matters, and we hope that the above may be of some assistance to you in this connection."

Approved unanimously.

Letter to Mr. Eugene R. Black, President, International Bank for Reconstruction and Development, reading as follows:

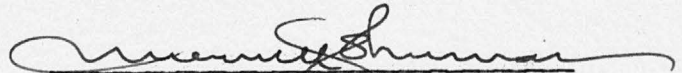
"In your letter of August 18, 1949, you state that the International Bank has received various inquiries with respect to the present applicability of the margin requirements of Regulation T of this Board to securities issued or guaranteed by the Bank. You ask to be advised whether or not you are correct in your understanding that, in view of the Act of June 29, 1949 (Public Law No. 142 - 81st Congress), securities issued or guaranteed by the International Bank are now exempted securities for the purposes of Regulation T.

8/23/49

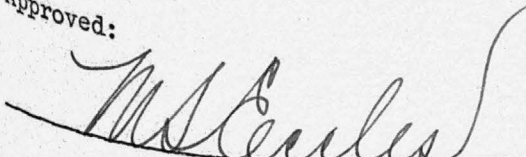
-4-

"The Board is pleased to advise you that it agrees with your understanding with respect to the matter; that as a result of the enactment of the Act of June 29, 1949 (Public Law No. 142 - 81st Congress) securities issued or guaranteed by the International Bank for Reconstruction and Development are now classified as exempted securities under section 2(e) of Regulation T; that such securities are now in the same category under such regulation as are Government, State and municipal bonds; and that, accordingly, the specific percentage limitations prescribed by such regulation with respect to maximum loan value and margin requirements are no longer applicable thereto."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman pro tem.