

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 15, 1950. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. McCabe, Chairman
 Mr. Eccles
 Mr. Szymczak
 Mr. Vardaman
 Mr. Norton

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Nelson, Assistant Director, Division of Examinations
 Mr. Solomon, Assistant General Counsel
 Mr. Conkling, Chief, Member Bank Reports Section, Division of Bank Operations
 Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics
 Mr. Koch, Chief, Banking Section, Division of Research and Statistics
 Mr. Pawley, Economist, Division of Research and Statistics

Mr. Phelan, Vice President of the Federal Reserve Bank of New York, who was assisting the Board temporarily in connection with selective credit regulations, was also present.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Kansas City on December 11, by the Federal Reserve Bank of

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San Francisco on December 12, by the Federal Reserve Bank of Atlanta on December 13, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on December 14, 1950, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was presented a draft of letter to the National Used Car Dealers Association prepared in response to a petition filed with the Board by that Association under date of December 5, 1950, requesting that it be granted a formal hearing before the members of the Board with regard to the amendment to Regulation W, Consumer Credit, which became effective October 16, 1950. The draft was read by the Secretary and in the ensuing discussion various changes were suggested.

Chairman McCabe expressed the view that the Board indicate in the letter that it would be happy to grant a hearing either to the National Used Car Dealers Association, which had submitted a formal petition in writing to the Board, or to the National Automobile Dealers Association, which had requested a hearing before the Board at the hearings held during the past week before the Joint Committee on Defense Production (the so called "Watch-dog Committee") provided for under the Defense Production Act of 1950. He suggested, however, that the associations be informed that the customary procedure of the Board was to have a designated member conduct such a conference,

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but that other members of the Board would be notified of the time and place of the meeting and that as many as were available would attend. He also stated that, inasmuch as the Joint Committee on Defense Production had indicated the associations' request should be granted, he would like to check the letters with Senators Robertson and Maybank before they were mailed.

It was agreed unanimously that the letter would be revised along the lines suggested during the discussion and that when it was in a form satisfactory to Mr. Norton and Chairman McCabe, it would be sent. In taking this action it was understood that a similar letter would be addressed to the National Automobile Dealers Association.

Secretary's Note: Chairman McCabe reported to the Secretary that Senators Robertson and Maybank had no suggestions to make, and the letters were sent on December 20, 1950, as follows:

Letter to the National Automobile Dealers Association:

"In the recent testimony before the Joint Committee on Defense Production your Association indicated that it would like to present further information and recommendations to the Board regarding Regulation W.

"Assuming that this still is your desire the Board suggests that you come to the Board's offices at 4:00 p.m., on December 27 at which time, in accordance with the Board's established procedures in such matters, the member of the Board who has special responsibility with respect to Regulation W, together with such other members of the Board as are available at the time, will be glad to have you submit in person such information and recommendations as you may wish with respect to any phase of Regulation W. We will, of course, also be glad to receive in writing any additional material that you may desire to send us on this subject.

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"Please let us know whether you will be present at the time stated, and if this date is not convenient to you, we will endeavor to arrange another date at a later time which will be mutually convenient."

Letter to the National Used Car Dealers Association:

"This is in further reference to your letter of December 5, 1950, with which you enclosed a petition on behalf of the National Association of Used Car Dealers for a hearing regarding the provisions of Regulation W, particularly in its relationship to the sale of used cars.

"In response to your request, the Board suggests that you come to the Board's offices at 3 p.m. on December 27 at which time, in accordance with the Board's established procedures in such matters, the member of the Board who has special responsibility with respect to Regulation W, together with such other members of the Board as are available at the time, will be glad to have you submit in person such information and arguments as you may wish with respect to any phase of Regulation W. We will, of course, also be glad to receive in writing any additional material that you may desire to send us on this subject.

"Please let us know whether you will be present at the time stated, and if this date is not convenient to you, we will endeavor to arrange another date at a later time which will be mutually convenient."

Messrs. Solomon and Pawley withdrew from the meeting at this point.

Chairman McCabe referred to previous discussions of an increase in reserve requirements of member banks, stating that he felt the principal question to be considered at this meeting was the timing of action.

In connection with a discussion of possible action by the Board to increase reserve requirements of member banks, in response

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to a question from Chairman McCabe, Mr. Thomas reviewed present and prospective conditions in the money market and the possible timing of the effective dates of such action after the first of the year when excess reserves of member banks would increase because of a return flow of currency and decline in bank credit outstanding.

During a discussion of the relationship of an increase in reserve requirements to Treasury refunding operations and of the possible effect of such an increase upon short term interest rates, Chairman McCabe stated that he would like to discuss the matter with the Secretary of the Treasury and perhaps others before any announcement of action was made.

Mr. Eccles expressed the view that the Board should increase reserve requirements during the month of December to become effective at an appropriate date in January, that even though some down-turn in loans of banks might take place in January it was unlikely that a full seasonal reduction would occur, and that for reasons which he had expressed in previous discussions of the matter an increase in reserve requirements at this time was called for if the Board was to carry out its responsibilities for restricting the further expansion of bank loans.

Mr. Szymczak stated that he would prefer that before Chairman McCabe discussed the matter with the Secretary of the Treasury, the Board indicate informally what action it would take so that the matter could be discussed on that basis, that it was not to be expected that

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the Treasury would concur in such an increase since the Treasury did not feel the increase would be effective in preventing inflation and since it might disturb the market for Government securities, and that some individual bankers would urge an increase but it could not be expected that bankers' associations would take a position favoring action. He also said that Mr. Keyserling, Chairman of the Council of Economic Advisers, favored a broad use of selective rather than general credit controls but it was his (Mr. Szymczak's) view that a broad application of selective regulations would prove administratively as difficult as would the administration of direct controls over prices, wages, and rationing of consumer goods. Therefore, he felt the Board should act to increase reserve requirements in order to carry out the responsibilities it had in the credit field.

During a further discussion, Chairman McCabe suggested that Messrs. Evans and Powell, were expected to be in Washington on Monday, December 18, 1950, and that further consideration be given to the matter at a meeting at 10:00 a.m. on that day.

This suggestion was approved unanimously.

Messrs. Phelan, Young, Youngdahl, Koch, and Conkling withdrew from the meeting at this point.

Before this meeting there had been circulated among the members of the Board memoranda from the Personnel Committee dated November 28, 1950, December 6, 1950, and December 7, 1950, with respect

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to appointments of Class C directors, Chairmen, and Deputy Chairmen at Federal Reserve Banks and Directors of Federal Reserve Bank branches for terms beginning January 1, 1951. Mr. Szymczak reviewed the recommendations of the Personnel Committee with respect to the various appointments and the recommendations were discussed.

During this discussion Mr. Vardaman stated that, for reasons which he outlined, he was opposed to the appointment of (1) attorneys, especially when they were not the principals of their firms, and (2) men who had retired from active business life, as Chairmen of Federal Reserve Banks.

At the conclusion of the discussion, actions were taken by the Board as set forth below. All of the actions were by unanimous vote with the exception of the designation of Russell L. Dearmont as Chairman and Federal Reserve Agent at the Federal Reserve Bank of St. Louis for the year 1951, on which Mr. Vardaman voted "no":

The following were appointed as Class C directors of the respective Federal Reserve Banks shown, each for a term of three years, beginning January 1, 1951:

<u>Name</u>	<u>Federal Reserve Bank</u>
Robert T. Stevens	New York
C. Canby Balderston	Philadelphia
Charles P. McCormick	Richmond
Frank H. Neely	Atlanta
Allan B. Kline	Chicago
William H. Bryce	St. Louis
Roger B. Shepard	Minneapolis
Robert L. Mehornay	Kansas City
G. A. Frierson	Dallas
William R. Wallace	San Francisco

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The following were designated as Chairmen and Federal Reserve Agents at the respective Federal Reserve Banks shown for the year 1951 and the compensation of each as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors:

<u>Name</u>	<u>Federal Reserve Bank</u>
Harold D. Hodgkinson	Boston
Robert T. Stevens	New York
George C. Brainard	Cleveland
Charles P. McCormick	Richmond
Frank H. Neely	Atlanta
F. J. Lunding	Chicago
Russell L. Dearmont	St. Louis
Roger B. Shepard	Minneapolis
Robert B. Caldwell	Kansas City
J. R. Parten	Dallas
Brayton Wilbur	San Francisco

The following were appointed as Deputy Chairmen of the respective Federal Reserve Banks for the year 1951:

<u>Name</u>	<u>Federal Reserve Bank</u>
Ames Stevens	Boston
William I. Myers	New York
C. Canby Balderston	Philadelphia
John B. Woodward, Jr.	Richmond
Rufus C. Harris	Atlanta
John S. Coleman	Chicago
William H. Bryce	St. Louis
W. D. Cochran	Minneapolis
Robert L. Mehornay	Kansas City
R. B. Anderson	Dallas
Harry R. Wellman	San Francisco

The following were appointed as directors of the respective branches of the Federal Reserve Banks shown, each

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for a term of three years beginning
January 1, 1951:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
James M. Shriver	Baltimore
R. E. Ebert	Charlotte
John M. Gallalee	Birmingham
Marshall F. Howell	Jacksonville
C. E. Brehm	Nashville
H. C. Chalkley, Jr.	New Orleans
Alvin A. Voit	Louisville
M. P. Moore	Memphis
Hal Bogle	El Paso
Herbert G. Sutton	Houston
Edward E. Hale	San Antonio

The following were appointed as
directors of the respective branches of
the Federal Reserve Banks shown, each for
a term of two years beginning January 1,
1951:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
John E. Corette, Jr.	Helena
G. Norman Winder	Denver
Rufus J. Green	Oklahoma City
Fred S. Wallace	Omaha
Fred G. Sherrill	Los Angeles
R. B. Taylor	Portland
Merle G. Hyer	Salt Lake City

Mr. Szymczak said that the Personnel Committee also recommended
that James R. Killean, President of Massachusetts Institute of Technology,
be tendered appointment as a Class C Director of the Federal Reserve
Bank of Boston for the three-year term beginning January 1, 1951, if
an informal inquiry indicated that he would accept the appointment.
This recommendation was discussed, and it was understood that Mr.
Szymczak would talk with Mr. Erickson, President of the Boston Bank,
concerning Mr. Killean's qualifications and that unless some question

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arose the appointment would be tendered him in the usual manner.

There was also a discussion of the appointments of branch directors to fill existing or anticipated vacancies, during which Mr. Szymczak stated that the Personnel Committee recommended the following be tendered appointments as indicated, if it was ascertained that they would accept the appointments: Robert C. Tait, President, Stromberg-Carlson Company, Rochester, New York, as Director of the Buffalo Branch of the Federal Reserve Bank of New York for the three-year term beginning January 1, 1951; Granville R. Lohnes, Treasurer, National Cash Register Company, Dayton, Ohio, and Henry A. Roemer, Jr., President, Sharon Steel Corporation, Sharon, Pennsylvania, as Directors of the Cincinnati and Pittsburgh Branches, respectively, of the Federal Reserve Bank of Cleveland, each for a three-year term beginning January 1, 1951; John Alfred Hannah, President, Michigan State College, East Lansing, Michigan, as Director of the Detroit Branch of the Federal Reserve Bank of Chicago for a two-year term beginning January 1, 1951 and William M. Day, Vice President and General Manager, Michigan Bell Telephone Company, Detroit, as Director of the Detroit Branch for the unexpired portion of the term ending December 31, 1951; Samuel B. Strauss, President, Pfeifers of Arkansas, Little Rock, Arkansas, as Director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1951 and Pierre B. McBride, President, Porcelain Metals Corporation, Louisville, Kentucky,

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as a Director of the Louisville Branch for the unexpired portion of the term ending December 31, 1951; John Henry Sheffels, Farmer, Great Falls, Montana, as Director of the Helena Branch of the Federal Reserve Bank of Minneapolis for the unexpired portion of the term ending December 31, 1951; Ralph R. Sundquist, Orchardist, Yakima, Washington, as Director of the Seattle Branch of the Federal Reserve Bank of San Francisco for the two-year term beginning January 1, 1951.

The foregoing recommendations of the Personnel Committee were approved unanimously.

Mr. Carpenter stated that a letter had been received from Mr. Symington, Chairman, National Security Resources Board, dated December 6, 1950, requesting that there be furnished to him by today statements covering the status of the work of the Federal Reserve System under the delegations of the President's Executive Order 10161 with respect to (1) guarantee of defense production loans, (2) real estate credit, and (3) voluntary agreements by financing institutions. He stated that drafts of such statements as well as a statement of activities with respect to the regulation by the Board of Governors of consumer credit under the provisions of Section 601 of the Defense Production Act of 1950 had been prepared.

Chairman McCabe suggested that the reply to Mr. Symington's request be approved with the understanding that the statements on the

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several fields of activity would be subject to the approval of the members of the Board having the respective assignments for initial consideration of matters pertaining to those fields.

Chairman McCabe's suggestion was approved unanimously.

Secretary's Note: Having been approved in accordance with the foregoing, the following letter to Mr. Symington prepared for Chairman McCabe's signature was sent on December 18:

"In response to the request contained in your letter of December 6, 1950, there is attached a statement covering the status of the work of the Federal Reserve System under the delegations of the President's Executive Order 10161 with respect to (1) guarantee of defense production loans, (2) real estate credit, and (3) voluntary agreements by financing institutions.

"If you have any suggestions with respect to this statement or the monthly reports to be submitted in the future in accordance with the request contained in your letter, we shall be pleased to have them.

"In order that you may have available a complete picture of the activities of the System under the Defense Production Act of 1950, there is also attached a statement with respect to the regulation by the Board of Governors of consumer credit under the provisions of section 601 of that Act."

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon 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 December 7, 1950, were approved unanimously.

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 8, 11, 12, 13, and 14, 1950, were approved and the actions recorded therein were ratified unanimously.

Letter to Mr. Clarke, Secretary of the Federal Reserve Bank of New York, reading as follows:

"This will acknowledge your letter of December 8 advising that your Bank has granted a leave of absence without pay to Robert V. Rosa, Chief of the Monetary Research Division, Research Department, in order that he may render part-time assistance in a special project of the Weapons Systems Evaluation Group of the Department of Defense, beginning about the middle of January 1951. It is noted that this arrangement has been discussed informally by Vice President Roelse, of your Bank, with Mr. Young, of the Board's staff.

"The matter has been brought to the attention of the Board and noted without objection."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of December 8, 1950, the Board approves the appointments of Arthur I. Lee and Leander G. Tonsager as assistant examiners for the Federal Reserve Bank of Minneapolis. If the appointments are not made effective on January 1, 1951, as planned, it will be appreciated if you will advise us.

"It has been noted that Mr. Lee's indebtedness of \$276.27 to First Minnehaha National Bank, Minneapolis, Minnesota, is on a regular reduction basis."

Approved unanimously.

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

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"Reurlets December 6. In view your recommendations Board approves establishment and operation of branch at Whittier, California, by California Bank, Los Angeles, California, provided the prior approval of the appropriate State authorities is obtained and the proposed absorption and increase of capital through sale of 100,000 additional shares are effected substantially as proposed. Letter giving Board's written consent under Section 18(c) Federal Deposit Insurance Act to acquisition of trust business of Whittier National Trust and Savings Bank by California Trust Company is being forwarded for transmittal to California Trust Company. It is understood that Counsel for Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the absorption and establish the branch."

Approved unanimously, together with the following letter to the Board of Directors, California Trust Company, Los Angeles, California for transmittal through the Federal Reserve Bank of San Francisco:

"The Board of Governors has been advised by the Federal Reserve Bank of San Francisco that the California Trust Company proposes to acquire the trust business of the Whittier National Trust and Savings Bank, Whittier, California, and that no increase in the capital and surplus of the trust company is contemplated.

"Under the provisions of Section 18(c) of the Federal Deposit Insurance Act, no insured bank shall assume liability to pay any deposits made in another insured bank if the capital stock or surplus of the assuming bank will be less than the aggregate capital stock or aggregate surplus, respectively, of all the parties to the assumption of liabilities, unless, in case the assuming bank is a State member bank the Board of Governors of the Federal Reserve System gives prior written consent.

"Section 3(1) of the Federal Deposit Insurance Act provides that 'the term "deposit" means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has

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"given or is obligated to give credit . . . and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank . . ."; and subsection (p) of the same section provides that 'the term "trust funds" means funds held by an insured bank in a fiduciary capacity and includes, without being limited to, funds held as trustee, executor, administrator, guardian, or agent.'

"In the circumstances, it appears that the prior written consent of the Board of Governors is required for the acquisition of the trust business of the Whittier National Trust and Savings Bank by the California Trust Company and such consent is hereby given."

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

"Reurlet December 8. In view your recommendation, Board approves establishment and operation of a branch in Vernon, California, by California Bank, Los Angeles, California, provided such branch is established within six months from November 28, 1950, and with the understanding that Counsel for Reserve Bank will review and satisfy himself as to legality of all steps taken to establish branch."

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 December 7, 1950, in which you advised that it appears expenses for certain functions at your head office and branches will exceed the 1950 budget estimates as follows:

<u>Functions</u>	<u>Kansas City</u>	<u>Denver</u>	<u>Oklahoma City</u>	<u>Omaha</u>
General Overhead	12,200			
Provision of Space	31,000			
Provision of Personnel				3,500
General Service	11,500			

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<u>"Functions</u>	<u>Kansas</u> <u>City</u>	<u>Denver</u>	<u>Oklahoma</u> <u>City</u>	<u>Omaha</u>
Stock of Supplies		1,050		
Consumer Credit	22,000	3,350	2,800	4,400
Real Estate Credit	10,000	2,000	700	1,800
Securities		2,150		2,150
Currency and Coin		10,000	7,000	
Noncash Collection		1,650		
Federal Reserve Note				
Issues	34,000			
Fiscal Agency			33,450	
Fiscal Agency (Reg. V)	2,500			

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

Approved unanimously.

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

"There is enclosed a copy of a letter dated December 1, 1950, addressed to the Board by The First National Exchange Bank of Roanoke, Roanoke, Virginia, requesting advice as to whether information as to the earnings realized on common trust funds and the value of the assets thereof may be included in the President's annual report to the stockholders of the national bank. A copy of the Board's letter to the national bank advising that the matter has been referred to your bank for answer is also enclosed.

"It will be appreciated if you will advise the bank that the mere inclusion of this material in the annual report would not be in violation of Regulation F. However, the bank should be cautioned as to the use made of the report or material taken from it, and warned that its publication or distribution to the public would be considered a form of advertising or publicizing prohibited by the regulation."

Approved unanimously.

Letter for the signature of the Chairman to Honorable Arthur B. Langlie, Governor of Washington, Olympia, Washington,

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reading as follows:

"This refers to your letter of November 14 relative to this Board's Regulation W concerning consumer credit.

"We appreciate your concern over the impact of the high freight factor on the automobile industry in the Pacific Coast area but, as we pointed out in our letter of November 8, we have not been able to work out a solution to the problem which would not seriously undermine the effectiveness of the regulation.

"In your letter, for example, you state that you take exception to our statement that we must continue to relate the requirements of the regulation directly to the cash selling price of a commodity regardless of the components which make up that price. You state that this policy is discriminatory and you suggest that a way to overcome the discrimination would be to provide an extra month for repayment of every \$75 of freight cost.

"You will be interested to know that we have considered such a suggestion previously but, after thorough study, found it unworkable largely because, as we indicated in our previous letter, the whole problem appears to be a pricing problem rather than a credit regulation problem. For instance, freight charges, as such, are determinable only in connection with new automobiles. Nonetheless the price differential attributable to such charges is, of course, reflected in the used car markets. Therefore, any provision which we might develop to provide for freight charges, as such, would provide preferential treatment for new cars as compared with used cars and could be expected to result in more active bidding for the former and less active bidding for the latter. There have been some suggestions that, as a means of providing lower monthly payments for certain low income purchasers, terms on certain used cars might be made more liberal than those on new cars. Whatever the advantages or disadvantages of giving preferential treatment to used car sales, it would seem to be difficult to justify a proposal which would have exactly the opposite effect of according preferential treatment to new car sales.

"There are other difficulties with the proposal you suggest. There would appear to be sound reasons

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"for providing the same requirements for appliances as for automobiles, but freight rates for these would be diverse and difficult to determine in some cases. Inequities would be introduced by such an amendment in the borderline areas where freight costs are just under a \$75 rate class but the maximum maturities required would be one month less than those in a neighboring market. Also, there might be objections to applying such a rule to imported automobiles or other articles. A major difficulty would arise, it seems to us, in the operations of institutions financing retail paper under such a rule, because of complicated payment schedules for different areas and uncertainty as to whether purchased paper was in compliance with the regulation.

"We deeply appreciate your interest in the regulation and your willingness to forward suggestions for our consideration and guidance. We shall continue to study closely the regulation and its effects on various industries and regions of the country and we shall welcome any additional suggestions which may occur to you."

Approved unanimously.

Letter to Mr. Warner, Manager of the Credit Department of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of November 9, 1950, forwarding a copy of a letter of October 25, 1950, from Mr. Warren Hill, Assistant Executive Vice President of the New Jersey Savings and Loan League, raising a question of a possible amendment to Regulation W to exempt certain sanitary facilities when they are required by local ordinance.

"Upon consideration of this matter, there appears to be considerable difficulty in defining the type of project here involved in such a way as to cover this particular kind of project without having much broader ramifications. It appears that part of the difficulty may be due to the fact that the exact type of requirement, and the exact nature of the difficulty in meeting the present requirements of Regulation W, have not been fully exposed.

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"In the circumstances, the Board feels that it does not have before it sufficient information to support an amendment to the regulation exempting this type of credit. However, there would be no objection to your working further with Mr. Hill, or others, in order to develop more complete information which might indicate a workable means of providing for this problem. The Board has forwarded a similar answer to this same question to Mr. C. B. Strathy, Vice President of the Federal Reserve Bank of Richmond, and to Mr. Donoh W. Hanks, Jr., Assistant Director, American Municipal Association, who both raised the question in other correspondence."

Approved unanimously.

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

"By S-1221 (W-110) and the notice that accompanied that letter it was indicated that the Board is examining further into the matter of various leasing arrangements to determine the feasibility or desirability of some relaxation of the provisions of Regulation W and their application thereto. Pending a decision by the Board with respect to this matter, the staff is considering the desirability of an amendment to the regulation which would, in effect, exempt for a temporary period the lease arrangements of certain Registrants already engaged in such operations. A draft of a proposed amendment in this regard is set forth below for your confidential information. Your comments and suggestions with respect to the desirability of such a temporary amendment and with respect to the form and substance of the particular draft will be appreciated. In view of the urgency of the matter, we would appreciate receipt of your replies not later than Monday, December 18. The proposed amendment is as follows:

"Effective December , 1950, Regulation W is hereby amended by adding at the end of section 6 after subsection (k) thereof a new subsection (l) reading as follows:

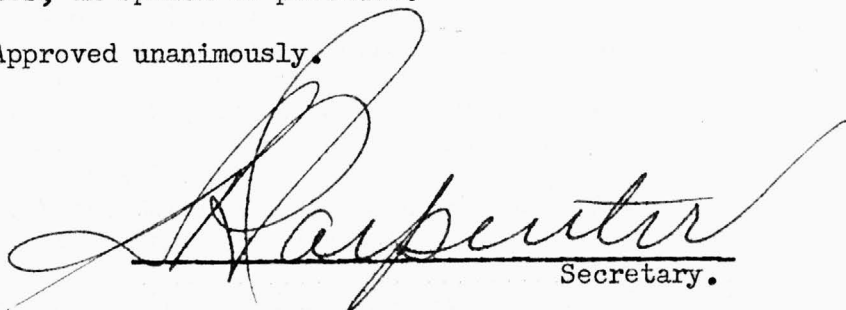
"(1) Certain Leasing Arrangements. - Until February 1, 1951, no contract or similar arrangement for the rental, leasing, or bailment of a listed

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"article under which the consideration is payable in instalments shall be deemed to be in violation of the down payment, maximum loan value, maximum maturity, or payment schedule requirements of this regulation if (1) the Registrant was engaged in the business of renting, leasing, or bailing listed articles of the same kind on September 18, 1950, and (2) the number of such articles which the Registrant has outstanding on rental, lease, or bailment does not at any time exceed the highest number of such articles that the Registrant had outstanding on rental, lease, or bailment on any day between January 1, 1950, and September 30, 1950; Provided, however, that the foregoing shall not apply to any contract or similar arrangement for the rental, leasing, or bailment of a listed article which contains, or in respect of which there is any understanding, agreement or other arrangement which in effect constitutes, an option to purchase."

Approved unanimously.


Secretary.