

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 29, 1951.

PRESENT: Mr. McCabe, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Powell

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 26, 1951, were approved unanimously.

Letter to Honorable Frederick J. Lawton, Director, Bureau of the Budget, Washington 25, D. C., reading as follows:

"Since the date of the Board's letter to you of January 10, 1951, submitting a proposed amendment to the Assignment of Claims Act of 1940, this matter has been the subject of considerable discussion between members of your staff and of the Board's staff and other interested Government agencies, particularly with respect to the language of the proposed amendment.

"In the course of these discussions, it has been learned that question has been raised in some quarters as to the extent of the need for this legislation in order to remove an impediment to the current V-loan program for the financing of defense contractors. As a means of demonstrating this need, there is enclosed a memorandum, prepared on the basis of information received from the Federal Reserve Banks, regarding the unwillingness of banks to participate in the financing of defense contractors unless the Assignment of Claims Act is amended to clarify the rights of banks taking assignments under that Act."

Approved unanimously.

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

1/29/51

-2-

"Mr. John Allison, Director of Finance, GHQ-SCAP, and Mr. William W. Diehl, Financial Attache, United States Political Advisor, GHQ-SCAP, have been conferring with members of the Board's staff as to the possibility of the Government of Japan opening an account with your Bank. The account might be operated by the Government of Japan as agent for SCAP. These gentlemen wish to explore the matter thoroughly from the viewpoint of both the Government of Japan and SCAP. They expect to be in New York soon to go into the matter with your Bank and since this may fall within the purview of Regulation N, your Bank is authorized to conduct such negotiations with these gentlemen as may seem to be appropriate in the circumstances. It will be appreciated, however, if you will keep the Board advised of such negotiations as provided in Regulation N."

Approved unanimously.

Letter prepared for the signature of Chairman McCabe to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board can readily realize the hope expressed in your letter of January 17 that it would not be necessary to extend beyond the middle of February the leave of absence granted to Mr. Phelan so that he might serve as Acting Director of the Board's Division of Selective Credit Regulation. The Board is very grateful for the assistance he is giving us. His experience in the field of Regulations V and W and in staff organization has been extremely helpful.

"Much of his time has been taken during the two months he has been here in work on the multiple housing amendments to Regulation X. Since a further amendment to apply the regulation to commercial construction is now under study, a considerable amount of his time will be required in that connection in the period immediately ahead.

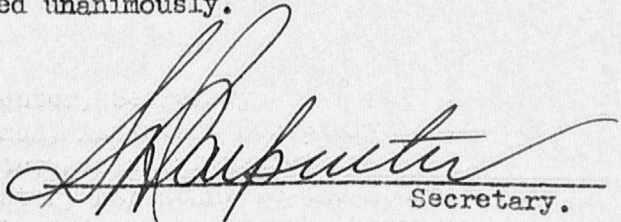
"As you will realize, the organization of a staff for an operation of this kind does require time and because of the importance from the standpoint of

1/29/51

-3-

"the whole System of having a smoothly working division we trust that you will not insist that Mr. Phelan return until that has been accomplished. We shall do everything we can to expedite his work. However, if, as it now appears, some additional time beyond the middle of February may be required, we trust that your Bank will be willing to extend his leave of absence for that period."

Approved unanimously.


Secretary.