Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 13, 1951. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. Martin, Chairman
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. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Margot, Director, Division of International Finance
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Allen, Director, Division of Personnel Administration
Mr. Sloan, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Dembitz, Assistant Director, Division of International Finance

Mr. Norton referred to a memorandum dated November 6, 1951, from the Personnel Committee, copies of which were sent to the members of the Board before this meeting, recommending that certain changes be made in the Board's leave regulations to conform them in general to recently revised leave policies of the Federal Government. The memorandum stated that, for reasons given therein, it was not contemplated that any change would be made in the present Board practices of crediting leave on a calendar year basis and of permitting annual leave to be
earned during the first ninety days of service, although these practices would not conform to the new Government leave provisions.

In reviewing the recommendations contained in the memorandum, Mr. Norton cited particularly the proposed special leave provision covering members of the field staff of the Division of Examinations, stating that this was recommended because the work of the field staff was of such a nature that it must operate as a unit and the scheduling of examinations would pose practical difficulties unless an exception was made for this group.

Mr. Vardaman said that he would not object to the proposed revisions but that the Board sometimes had deviated from Government practices in its personnel policies, that in his opinion the Board conformed to Government procedures when it felt it desirable to do so and did not conform at other times, that the mere fact that the Government's leave policies had been changed would not mean necessarily that the Board should conform its own regulations, and that he felt the Board should consider carefully whether it should take the recommended action.

In this connection Mr. Vardaman referred to the matter of the salary level of the Board's chauffeurs, stating that in December 1950 the Board ordered a special increase in such salaries, that although he had raised the question several times earlier this year, salaries
Of this group had not been increased in accordance with the earlier discussion, and that in his opinion the general pay increase voted by the Board on October 26, 1951, did not take care of the situation and he would like to have immediate consideration given to the matter.

Mr. Norton questioned whether the Board had ordered an increase such as Mr. Vardaman mentioned and, in response to Mr. Norton's inquiry, Mr. Carpenter stated that a search of the minutes disclosed nothing other than that the Personnel Committee was to study the matter, that studies made by the Personnel Committee failed to disclose a basis on which an increase in the salary level for this group of employees could be justified, and that when the question was raised again in September the Personnel Committee concluded that if a general pay increase were enacted by the Government and similar increases in salary levels were adopted by the Board, it would take care of the matter.

Following further discussion, it was understood that the matter would be reconsidered following the return of Mr. Evans from Europe.

Thereupon, upon motion by Mr. Norton, the following recommended revisions of the Board’s leave regulations were approved unanimously and it was agreed that no change would be made in the existing practice of crediting leave on a calendar year basis and permitting annual leave to be earned during the first 90 days of service:
1. Effective July 1, 1951, the action which reduced annual leave credit to 20 days per year was rescinded, thus restoring the 26 day annual leave credit for 1951 and necessitating additional leave payments, up to a maximum of 2 days in any one case, to employees who resigned during the time the 20 day provision was in force.

2. Effective January 1, 1952, authority was given to credit annual leave according to the following schedule with a limit of 60 days on the amount of leave that may be accrued:

(a) 13 days for less than 3 years of service,
(b) 20 days for 3 years, but less than 15 years of service, and
(c) 26 days for 15 years or more of service.

(In determining the amount of service for leave purposes, all service creditable to the employee by the Retirement System of which he is a member is to be included.)

3. Effective January 1, 1952, the annual sick leave credit was reduced from 15 to 13 days with no limit on the amount which may be accrued.

4. Effective January 1, 1952, approval was given to an arrangement which would provide that when a member of the field staff of the Division of Examinations exhausts his annual leave, he will be advanced such leave as is necessary for the proper scheduling of the regular vacation periods of the field staff; such advance to be cancelled at the end of the calendar year.

Mr. Allen then withdrew from the meeting.

Reference was made to a memorandum dated November 7, 1951, from Mr. Szymczak, copies of which had been sent to the members of the Board before this meeting, discussing an application made under
date of December 19, 1950 by The Chase Bank, New York, New York (an Edge Act corporation, the stock of which is owned by The Chase National Bank of New York) and renewed under date of October 5, 1951, for the Board's consent to purchase and hold stock in a proposed Brazilian corporation which would engage in the securities and investment banking business in that country. The memorandum, after stating that according to the proposal The Chase Bank would purchase about 31 per cent of the stock of the proposed Brazilian Corporation, the International Basic Economy Corporation would purchase about the same amount, and the remainder of the stock would be held by Brazilian interests, reviewed developments in connection with the matter following receipt of the original application, including correspondence with The Chase Bank and discussions with its representatives, particularly concerning the power which would be given the proposed corporation "generally to purchase and sell corporate and other types of securities in Brazil and otherwise to deal in the same as underwriters (alone or with others), or as agent, or broker" and "such other powers as may be deemed suitable and desirable in relation to the performance of such activities."

Mr. Szymczak stated that the proposal was one which seemed desirable from an economic standpoint in facilitating the flow of private capital into Brazil and that representatives of the Board and
the Federal Reserve Bank of New York had been working with representa-
tives of The Chase Bank since receipt of the original application in
an effort to arrive at a satisfactory arrangement which would assure
separation of the commercial and investment banking functions of the
proposed corporation insofar as its operations in the United States
were concerned in view of provisions contained in sections 20 and 21
of the Banking Act of 1933. He pointed out that the Board's decision
in this matter resolved itself into a question of policy and that, as
stated in his memorandum of November 7, there appeared to be three pos-
sible courses of action, as follows:

1. The Board could simply approve the application by The
Chase Bank for the purchase of the stock in the Brazilian
corporation without requiring any additional letter from
The Chase Bank of any kind. In addition, however, if it
so desired, the Board could state in its letter of approval
that it would continue to watch the situation and if any
developments should occur indicating that the actions on
the part of any of the institutions involved were at
variance with the laws of the United States the Board
would, of course, bring the matter to the attention of the
appropriate institution in order to obtain correction of
the situation;

2. The Board could insist on the position taken in its
letter of April 18 with regard to the condition in question,
but with a modification so as to require merely a letter
from The Chase Bank and to apply the requirement only where
there is a participation on a substantial basis in an
underwriting a substantial part of which is floated in
the United States;

3. The Board could suggest that The Chase Bank write a
letter to the Board advising of their interpretation of the
charter of the Brazilian corporation to the effect that the
distribution of securities in the United States by that corporation would not be permissible, as follows:

"It is our interpretation of Article 27 that the proposed corporation would not be permitted to underwrite, distribute or participate in the public sale of securities in the United States either directly or indirectly through an agency or on commission or consignment basis, or otherwise."

This would be done with the understanding that the Board would then approve the application, with a statement that it would continue to watch the situation in order to obtain corrective action of any violations of law along the lines indicated in No. 1 above.

Mr. Szymczak went on to say that a letter had been received by Chairman Martin under date of November 7, 1951, from Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank, to which was attached a letter of the same date addressed to Mr. Vest from counsel for The Chase Bank interpreting Article 27 of the proposed charter of the Brazilian corporation substantially as suggested in the third of the alternative courses of action set forth above. He said he was inclined to believe this afforded sufficient protection to meet the points raised by the Board.

At Mr. Szymczak's request, Mr. Vest reviewed and discussed the possible courses of action open to the Board, stating that in its letter of April 13, 1951 to Mr. Aldrich the Board stated the position that suitable steps should be taken, including the insertion of provisions in the charter of the proposed Brazilian corporation, to assure that
the corporation would not participate directly or indirectly in the underwriting, sale, or distribution, at wholesale or retail, of securities of any issue wholly or partly underwritten, sold, or distributed, at wholesale or retail, in the United States unless such activities in the United States were permitted under United States law to banks engaged in the business of receiving deposits. Mr. Vest went on to say that insistence upon inclusion of such a provision in the charter apparently would prevent the transaction since The Chase Bank had indicated this procedure would not be acceptable to it.

Following a discussion, upon motion by Mr. Szymczak, unanimous approval was given to the following letter to Mr. Winthrop Aldrich, Chairman, Board of Directors, The Chase Bank, New York, New York, for transmittal through the Federal Reserve Bank of New York:

"This refers to your letter of October 5, 1951, which was transmitted through the Federal Reserve Bank of New York, making specific application for the consent and approval of the Board of Governors to the purchase and holding by your bank of stock in a proposed company to be organized under the laws of Brazil on the basis of a charter which would be substantially in the form enclosed with your letter.

"It is noted that Article 27 of the charter of the proposed corporation provides that 'The corporation may not engage in the general trade of purchase and sale of goods, merchandise and wares in the United States of America, nor may it carry out any business in the said country except that which is incidental to its operations outside of the said United States.' In connection with the activities of such corporation in the underwriting, distribution or sale of securities, we note the statement contained in the
"Letter dated November 7, 1951, from your counsel to Mr. Vest, General Counsel of the Board of Governors, which letter was transmitted with and referred to in your letter to Chairman Martin dated November 7, 1951, that it seems to us clear that this Article 27 constitutes a prohibition against Interamerican underwriting, distributing or selling securities in the United States either directly or indirectly through an agency or on a commission or consignment basis or otherwise. No such transaction could in our opinion be deemed "incidental" to the operations of Interamerican outside of the United States. We also note the statement in your letter of November 7, 1951, that Article 27 is an "appropriate provision" to effect full compliance with the eighth paragraph of the Board's letter of April 16th.

"On the basis of your letters and that of your counsel above mentioned and the statements contained therein, the Board, in accordance with and subject to the provisions of applicable law, hereby consents to the purchase and holding of stock in the proposed company to be organized under the laws of Brazil in an amount not exceeding that stated in your letter of October 5."

Mr. Sloan then withdrew from the meeting.

Reference was made to a memorandum dated November 6, 1951, from Mr. Marget dealing with United States gold policies, copies of which were sent to the members of the Board on November 7. Mr. Vardaman had not had an opportunity to review the memorandum and consideration of the questions referred to therein was postponed until the next meeting of the Board.

Messrs. Marget and Dembitz then withdrew from the meeting.

There was presented a draft of letter to Mr. Rodolfo A. Correa, General Counsel of the Office of Defense Mobilization, Washington, D. C., prepared in response to Mr. Correa's letter of October 25, 1951, requesting...
drafts of any amendments to the Defense Production Act considered necessary to facilitate the defense mobilization program. The draft of letter, copies of which had been sent to the members of the Board before this meeting, expressed agreement with the desirability of extending the Act, preferably for as much as two years or more beyond June 30, 1952, the present expiration date. In addition, it expressed the belief that the specific restrictions upon the regulation of consumer credit prescribed in the Defense Production Act Amendments of 1951 and upon the regulation of real estate construction credit prescribed in the Defense Housing and Community Facilities and Services Act of 1951 should be eliminated and the law restored to the form in which the provisions were enacted in the Defense Production Act of 1950. Attached to the draft of letter were memoranda giving reasons why these changes were believed to be desirable, as well as drafts of amendments designed to accomplish the suggested changes.

Mr. Vest stated that conversations with Mr. Correa indicated that the Office of Defense Mobilization was soliciting ideas from a number of interested Government agencies for the purpose of compiling an omnibus bill for transmission to Congress as early as possible in the next session, perhaps in January, and had requested that such suggestions be submitted by November 15.

Mr. Vardaman said that he would object to any letter committing
the Board at this time in the manner suggested with regard to the regulation of consumer credit and real estate construction credit.

In further comments Mr. Vardaman questioned the effectiveness of the two regulations and the methods used in their administration, and said that he would like to have a general discussion of them by the Board based on facts and figures compiled by the staff to determine what course of action the Board should follow.

In answer to a question by Chairman Martin, Mr. Vest stated that although a reply to Mr. Correa's letter had been requested by November 15, he felt that it might be possible to submit suggestions at a later date if the Board did not wish to commit itself at this time.

Chairman Martin then suggested that in view of Mr. Vardaman's comments, a reply be withheld pending further discussion of the matter by the Board at a time when Messrs. Evans and Powell could be present.

This suggestion was approved unanimously.

Before this meeting there were sent to the members of the Board copies of a memorandum dated November 8, 1951, from Mr. Vest referring to the hearing held in Philadelphia before H. B. Teegarden, Hearing Examiner, pursuant to the Board's order of May 28, 1951, to ascertain whether H. Bartels, Inc., of Philadelphia, Pennsylvania, a registrant
under Regulation W, Consumer Credit, had committed violations of the Regulation and whether the firm's license to do an instalment credit business should be suspended. The memorandum stated that the hearing examiner had submitted his recommended decision in the matter under date of October 8, 1951, that counsel for respondent and the Board's Solicitor had filed exceptions to the recommended decision as well as briefs in support of the exceptions, that counsel for the respondent had, in addition, filed a brief in reply to the brief of the Board's Solicitor, and that by letter dated October 23, 1951, counsel for respondent had requested that the matter be set down for oral argument before the Board. The memorandum recommended that this request be granted, that the case be set down for oral argument some time at the convenience of the Board but presumably not earlier than mid-December, and that the oral arguments be limited to one hour for each side.

Mr. Vest stated that under Rule IX of the Board's Rules of Procedure, granting of a request for oral argument was not obligatory but that a check with several Government agencies which hold administrative hearings indicated that even where the rules of such agencies do not so require, it was their practice to grant such requests. For this reason, and in view of the public relations aspect of the matter and the serious consequences to the respondent should the Board determine to follow the recommendation of the hearing examiner that the
registrant's license to do an installment credit business with respect

to television be suspended indefinitely, Mr. Vest recommended that
the request for oral argument be granted.

In response to an inquiry by Chairman Martin, Mr. Vest stated
that although the Board's Rules of Procedure do not require oral argu-
ment, when granted, to be before the entire Board, he would assume that
the respondent would prefer the hearing before the entire Board rather
than an individual member. Mr. Vest also said, in reply to a question
from Mr. Vardaman, that although respondent had no specific statutory
right to appeal the Board's decision to the courts, as a practical
matter he thought respondent probably could get the issue before the
courts.

Chairman Martin suggested that under the circumstances the
Board grant the request for oral argument with the understanding that
it would be set some time after December 15, the exact date and time to
be decided in consultation with Mr. Vardaman.

This suggestion and the issuance
of the following order in accordance
therewith were approved unanimously:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
IN THE MATTER OF
H. BARTELS, INC.
ORDER GRANTING RESPONDENT'S REQUEST
FOR ORAL ARGUMENT"
"This matter coming this day for consideration on respondent H. Bartels, Inc.'s Request for Oral Argument Dated October 23, 1951, and the Board having fully considered the matter, it is ORDERED that:
1. The said Request be granted.
2. This matter be set down for oral argument before the Board on December 17, 1951, at 10:00 a.m.
3. Counsel for Respondent and Solicitor for the Board each be limited to one hour for oral argument.

This 13th day of November, 1951.
By the Board.

(signed) S. R. Carpenter,
Secretary."

During the discussion of the foregoing matter Mr. Fauver, Assistant Director, Division of Selective Credit Regulation, joined the meeting, and at its conclusion Mr. Chase, Assistant Solicitor, entered the room.

Mr. Norton referred to a memorandum prepared by Mr. Chase under date of November 8, 1951, copies of which were sent to the members of the Board before this meeting, relating to the Order issued by the Board on October 4, 1951 for a hearing to determine whether the license of Louis Master and Morris Master, doing business as Master Tire and Supply Co., Lawrence, Massachusetts, registrants under Regulation 3, Consumer Credit, to do an instalment credit business should be suspended. The memorandum stated that in the hope of shortening the hearing Mr. Chase met with representatives of the Federal Reserve Bank of Boston and an attorney for the registrant on Tuesday, November 6, 1951 and presented to the attorney a stipulation containing all of the
facts concerning the alleged violations, following which the attorney
showed the proposed stipulation to his client and, upon being in-
formed by the client that the facts alleged were substantially cor-
rect, recommended to him that he consent to a suspension of his
license. The memorandum went on to say that the Office of the Solici-
tor had been advised that the registrant would consent to a suspension
of his license for a period of 30 days, although hopeful that a lesser
suspension would be invoked. It stated further that the Solicitor's
Office believed that a suspension for a lesser period in this case
would be too lenient, and that this view was shared by officers of
the Federal Reserve Bank of Boston who worked on the case.

Mr. Norton stated that he concurred in the opinions expressed
in the memorandum and that he would recommend that the matter be
settled in the manner indicated.

Thereupon, upon motion by Mr. Norton,
unanimous approval was given to an Order
in the following form. In taking this ac-
tion it was understood that the Order would
be issued as soon as advice was received
from the Federal Reserve Bank of Boston that
the registrant had signed a waiver of hearing
and consent to issuance of the suspension
order:

"UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
In the Matter of
LOUIS MASTER and MORRIS MASTER,
d.b.a., Master Tire and Supply Co.,
Lawrence, Massachusetts."
"ORDER SUSPENDING LICENSE UNDER REGULATION W"

On October 4, 1951, the Board of Governors of the Federal Reserve System ordered that a hearing be held to determine whether or not the license of Louis Master and Morris Master, doing business as Master Tire and Supply Co., hereinafter called the registrants, should be suspended, and

On November 13, 1951, said registrants, by their attorney, Lewis H. Schwartz, filed with the Board their 'Waiver of Hearing and Consent to Entry of Order suspending Registrants' License', and

The Board, having considered the Waiver of Hearing and Consent to Entry of Order Suspending Registrants' License, aforesaid,

HEREBY ORDERS, under authority of Section 601 of the Defense Production Act of 1950:

1. That the license of said registrants issued pursuant to Regulation W be and the same is hereby suspended for thirty days from November 14, 1951 to December 13, 1951, both dates inclusive; provided, that this order shall not prohibit the receipt of any payments on existing obligations, or the making of payments of any obligations, including obligations to employees for salaries and wages.

2. Any terms used in this order that are defined in Regulation W shall have the meaning therein given them.

By order of the Board of Governors of the Federal Reserve System this 13th day of November, 1951.

(signed) S. R. Carpenter,
Secretary."

Secretary's note: In accordance with this action the above Order was issued under date of November 13, 1951.

Mr. Chase then withdrew from the meeting.

Before this meeting there were sent to the members of the Board copies of a memorandum dated November 8, 1951, from Mr. Norton attaching a draft of a proposed amendment to Regulation X, Real Estate
Credit, authorizing secondary borrowing in connection with the purchase of a residence under certain limited circumstances.

Mr. Norton stated that the amendment was designed principally to meet situations in which a person was transferred from one section of the country to another in connection with the defense program, and the sale of presently occupied residential property was delayed for some unavoidable reason and the proceeds from the sale were, therefore, temporarily unavailable to apply on the purchase of a home to be occupied in the new location.

In a discussion of the proposed amendment it was stated that it was proposed also to amend the Regulation by the substitution of 36 months for 30 months in subsection (1) of section 5 to make that provision conform to a related provision in Regulation W, Consumer Credit.

Thereupon, upon motion by Mr. Norton, unanimous approval was given to Amendment No. 7 to Regulation X, Real Estate Credit, reading as follows, to become effective Monday, November 19, 1951, if advice of concurrence of the Housing and Home Finance Administrator was received and with the understanding that all Federal Reserve Banks and branches would be notified by telegram of the adoption of the amendment and that a press release announcing the amendment would be issued in form satisfactory to Mr. Norton:

"REAL ESTATE CREDIT
AMENDMENT NO. 7 TO REGULATION X
Issued by the Board of Governors of the Federal Reserve System with the concurrence of the Housing and Home Finance Administrator"
Regulation X is hereby amended in the following respects, effective November 19, 1951:

1. Add the following new subsection (n) to section 5:

   (n) Unavoidable Sales Delay. - If a Registrant desires to extend credit to a person (1) who is moving from one municipality or county to another, and (2) who is purchasing residential property in the new location, which will be used in substitution for residential property presently held by such person in the old location as an owner-occupant, and (3) who has sold or is to sell the property presently held and apply the proceeds of the sale to the new purchase, the Registrant may apply to a Federal Reserve Bank for an exemption from this regulation, stating in the application all the relevant facts and that the Registrant is satisfied in good faith that the making or completion of the sale of the presently held property has been delayed for an unavoidable reason and that the proceeds from the sale will therefore be temporarily unavailable to apply to the new purchase. If the Federal Reserve Bank is satisfied that the delay is unavoidable, it will issue a certificate of exemption to the Registrant and thereupon the Registrant may extend credit with respect to the property being purchased without regard to the secondary borrowing prohibition in subsection (b) of section 4 of this regulation; provided, however, any credit extended which exceeds the maximum loan value of the property being purchased shall meet such requirements as may be specified in the certificate issued by the Federal Reserve Bank and shall not in any event have a maturity of more than six months from the date the certificate was issued.

2. Strike out '30 months' in subsection (1) of section 5 and insert '36 months' in lieu thereof.

Unanimous approval also was given to a statement for publication in the Federal Register as follows:

"The above amendment is issued by the Board of Governors of the Federal Reserve System with the concurrence of the Housing and Home Finance Administrator, under authority of the 'Defense Production Act of 1950', approved September 8,
"1950, as amended; and Executive Order No. 10161, dated September 9, 1950.

The purpose of the amendment adding paragraph (n) is to assist persons moving from one part of the country to another in the purchase of a new home when there is a delay in obtaining the proceeds from the sale of their old home. The purpose of the amendment to paragraph (l) is to change the maximum period specified in connection with exempt loans for materials, articles, and services used in new construction from 30 to 36 months in order to parallel recent changes in Regulation W relating to consumer credit.

Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such Act shall be excluded from the operations of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof.

Special circumstances have rendered impracticable consultation with industry representatives, including trade association representatives, in the formulation of the above amendments; and, therefore, as authorized by the aforesaid section 709, the amendments have been issued without such consultation.

Secretary's note: A letter dated November 11, 1951, was received from Mr. Fitzpatrick, Acting Administrator of the Housing and Home Finance Agency, concurring in the foregoing amendment and the effective date.

Mr. Norton stated that in accordance with the Board's action of Tuesday, October 30, 1951, inquiries had been addressed to the Federal Reserve Banks and consultations held with interested trade groups with a view to obtaining further information on the desirability of an amendment to Regulation W, Consumer Credit, which would eliminate from the scope of the Regulation automobiles produced prior to 1946 models.

He stated that nine of the Reserve Banks expressed themselves in opposition to the change, that three were in favor of it, that representatives of credit-granting institutions were generally opposed, but that representatives of automobile dealers, both new and used, expressed
themselves as favoring the amendment. He said that several of the organizations consulted requested that they be allowed additional time to present further information to support their positions and that it was anticipated a final recommendation in the matter would be submitted to the Board shortly.

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 November 7, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 8, 1951, were approved and the actions recorded therein were ratified unanimously.

Letter to the Board of Directors of The Matawan Bank, Matawan, New Jersey, 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 New York.

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.
11/13/51

Letter to The Honorable, The Comptroller of the Currency,
Treasury Department, Washington, D. C., reading as follows:

"This refers to our letter of September 11, 1951, requesting that a supplemental order for printing 10,000,000 sheets of Federal Reserve notes during the fiscal year ending June 30, 1952, be placed with the Bureau of Engraving and Printing. It is respectfully requested that 60,000 sheets of this total be allocated to notes of the Federal Reserve Bank of Chicago, as shown below:

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Approved unanimously.

Letter to Mr. Dawes, Vice President and Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of October 29, 1951, and its enclosure, concerning the application of Regulations T or U to an arrangement pursuant to which a credit union would finance for its members the purchase of registered securities of the employer of the credit union members.

"This matter was discussed on the telephone with Mr. Shay of the Board's staff and reference was made at that time to certain correspondence in 1947 between the Board and the Detroit Edison Employees' Credit Union, Detroit, Michigan. Copies of this correspondence are enclosed herewith, as you requested.

"The principles stated in the Board's letter of April 1, 1947 in reply to the Detroit Edison inquiry would seem to be equally applicable to your inquiry of October 29. On the basis of the facts as presented, there would appear to be no substantial difference between the Detroit Edison case and the situation described in the enclosure with your letter."

Approved unanimously."
Letter to Mr. Millard, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of November 2, 1951, and its enclosures, concerning the automobile leasing question under Regulation W presented by the Les Kelley-Ford Dealer at Figueroa and Pico in Los Angeles.

"Briefly, it appears from the above correspondence that the Registrant entered into a number of individual automobile leasing arrangements pursuant to which each lessee paid upon execution of the lease a lump sum equal to 3 months' rental, and 3 months later a further lump sum equal to 3 additional months' rental. While the Registrant indicates that each arrangement was for a period of 6 months and contained no express provision for renewal or extension, he wishes nevertheless to renew some of the leases on the same rental payment terms.

"As you know, a bona fide single-payment rental arrangement covering a listed article which contemplates that the article will be returned and the arrangement terminated at the end of the rental period is not subject to the present regulation. But, as the Board has previously indicated, the fact that an obligation may be single-payment in form will not, of itself, serve to exempt a given transaction or arrangement where, as a matter of substance, there are other features which operate to bring it within the broad coverage of the regulation. Consequently, it is difficult to attempt a definite answer in such cases without knowledge of all the facts and circumstances with respect to how the transactions or arrangements may be handled or regarded by the parties as a practical matter.

"As you suggested, a renewal of a bona fide single-payment lease of a listed article would not necessarily cause the transaction or arrangement to lose its exempt status under the regulation. However, should such renewals occur with some frequency, or as a course of dealing, that fact would indicate that the leases were instalment leases for the purposes of the regulation. Furthermore, if any particular lease should be the subject of a second renewal, we agree that the exempt status
"of the transaction or arrangement would be extremely doubtful.

"In the circumstances, and on the basis of the limited facts as presented in Mr. London's letter of October 26, 1951, to your Los Angeles Branch, the Board does not feel that the lease arrangements and renewals as apparently contemplated can be determined to be exempt from the regulation."

Approved unanimously.

[Signature]

Secretary.