

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 21, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Norton
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 18, 1952, were approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased, effective February 3, 1952:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Marget, Director, Division of International Finance</u>		
1/16/52	Nancy J. Smith, Research Assistant	\$3,535	\$3,660
	<u>Memorandum from Mr. Bethea, Director, Division of Administrative Services</u>		
1/21/52	Sampson H. Bass, Chief, Fiscal Section	7,640	7,840
	F. Allison Kramer, Accounting Clerk	4,420	4,545
	Mary A. Weikel, Telephone Operator	3,270	3,350

Approved unanimously.

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

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"Reference is made to your letter of January 11, 1952 relating to the various actions taken by the Board of Directors at the meeting held on January 10, 1952.

"In accordance with the action taken with respect to the Industrial Advisory Committee, the Board of Governors approves the reappointments of Messrs. Doyle, Harnischfeger, Kerwin, Moxley and Palmer as members of the Industrial Advisory Committee for the Seventh Federal Reserve District for terms of one year each beginning March 1, 1952.

"The Board of Governors also approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago for the period January 10, 1952 through March 31, 1952 at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
L. G. Meyer	Vice-President	\$12,000
H. J. Newman	Asst. Vice-President	10,000
G. T. Tucker	Asst. Cashier	7,835
Gordon Lamphere	Asst. General Counsel (Detroit Branch)	9,000

"It is noted in your letter that Mr. Neil B. Dawes was appointed Secretary and Messrs. E. A. Heath and O. C. Barton were appointed Assistant Secretaries and all officers of the Bank with the exception of the President and the First Vice-President, whose terms are fixed by statute, were reappointed for the year beginning April 1, 1952.

"It is further noted that salaries of all officers of the Bank were fixed for the period April 1, 1952 through March 31, 1953. You will be advised at a later date with respect to the action taken by the Board of Governors in connection with the proposed salaries."

Approved unanimously.

Letter to the Board of Directors, The Fifth Third Union Trust Company, Cincinnati, Ohio, reading as follows:

"Pursuant to a request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption by The Fifth Third Union Trust Company, Cincinnati, Ohio, of The Cincinnati Bank and Trust Company, Cincinnati,

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"Ohio, without an increase in your capital and surplus, to amounts which will equal the aggregate capital and surplus, respectively, of the two banks involved in the absorption, provided prior approval is obtained from the appropriate State authorities and provided the absorption is effected substantially in accordance with the plan as submitted.

"It is understood that the recent increase of \$1,000,000 in the capital stock of The Fifth Third Union Trust Company was effected in contemplation of the proposed absorption and that an increase of \$500,000 in surplus is to be effected when the absorption is consummated."

Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland, with the understanding that Counsel for the Reserve Bank would review and satisfy himself as to the legality of all steps taken to effect the transaction.

Letter to Mr. McCreedy, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of January 15, regarding the penalty of \$44.73 incurred by the First National Bank of Towanda, Towanda, Pennsylvania, on a deficiency in its reserves for the period ended December 15, 1951.

"It is noted that the deficiency resulted from a combination of circumstances, including in particular the failure of the subject bank's correspondent to complete a transfer of funds; and that the bank appears to have due regard for the maintenance of its reserves, having only one deficiency since 1945.

"In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."

Approved unanimously.

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

"In connection with its planning work, the National Security Resources Board has requested the Federal bank supervisory agencies to study measures which might be taken to assist the banking system to operate effectively

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"in the event of a sudden attack by enemy forces, particularly in the event of an attack by bombs.

"In this connection, will you please advise what steps have been taken, by the clearing houses or otherwise, to permit in the event of such an emergency the continuation of clearing operations in your city and in any Federal Reserve branch city in your district.

"This is part of a broad program upon which the National Security Resources Board is working and this inquiry is not prompted because of any new or special circumstances; it might be well to make this clear in any discussions with bankers about the matter.

"Also as part of this program, we are suggesting that at the time of the next Presidents' Conference each President submit a report as to the steps his Federal Reserve Bank, and branches if any, have taken to permit the continuation of operations in the event of a bombing attack or similar emergency. We are asking that this topic be placed on the agenda for the Presidents' Conference in order that we may be in a position to advise the National Security Resources Board as to the preparedness of the Federal Reserve to meet such an emergency."

Approved unanimously.

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

"In connection with the application of Regulation W to instalment leasing arrangements covering listed articles, the Board addressed to all Federal Reserve Banks a confidential letter dated March 2, 1951. The enclosures with that letter contained background information concerning the economic and practical as well as legal aspects of the matter which were believed to be of interest, particularly to those members of your staff directly concerned with the administration of the regulation.

"Since the date of that letter, the Board has received and answered several inquiries on the subject from instalment lessors, or their legal or Congressional representatives. In addition, members of the Board's staff on several occasions have met and discussed the matter with certain lessors or their lawyers. Sometimes these discussions have followed an exchange

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"of correspondence with the Board (in which event the Reserve Bank of the district was kept informed), and sometimes they have followed discussions or correspondence between the inquiring party and a Reserve Bank.

"This subsequent experience is reflected in the attached memoranda which have been prepared in the belief that they, also, may be of interest to you and your Regulation W staff.

"You will note that the memorandum regarding the leasing of water heaters contains an interpretation which relates to a particular type of situation that is somewhat different from those covered by other interpretations on the subject."

Approved unanimously.

Orders for proceedings pursuant to Section 8(b) of Regulation W, Consumer Credit, prepared pursuant to the Board's action of January 3, 1952, reading as follows:

"UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of Washington, D. C., on the 21st day of January, A. D., 1952.

In the Matter of

KAHN INVESTMENT COMPANY,
a corporation,
3943 Easton Avenue,
St. Louis, Missouri

ORDER FOR PROCEEDINGS
PURSUANT TO SECTION
8(b) OF REGULATION W,
CONSUMER CREDIT

I

The Federal Reserve Bank of St. Louis has advised the Board of Governors of the Federal Reserve System that Kahn Investment Company, a corporation, hereinafter called the registrant, has filed a registration statement with that Bank pursuant to Sec. 2(b) of Regulation W, consumer credit, issued by the Board of Governors pursuant to Section 601 of the Defense Production Act of 1950, as amended; and that Bank has transmitted information to the Board of Governors which tends to show that since September 18, 1950, the effective date of Regulation W and contrary to the provisions thereof, the registrant has discounted and purchased obligations arising out of instalment sales of automobiles listed in Regulation W, and has made instalment loans, under circumstances so as to constitute violation of the terms of that Regulation.

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II

"The information reported to the Board of Governors, as set forth in Section I hereof tends, if true, to show that the registrant, since September 18, 1950, has violated Regulation W:

A. By making instalment loans without obtaining a signed statement of the borrower (e.g. Lawrence Smith and others) as to the purposes of the loan, in violation of Section 4(d) of the Regulation.

B. By making instalment loans, although knowing that the proceeds of the loan were to be used by the borrower to make a down payment in connection with the purchase from Ralph Taylor Auto Sales of an automobile listed in Regulation W, in violation of Section 4(e) of the Regulation.

C. By receiving payments under obligations discounted or purchased by it, knowing that such obligations evidenced credit (extended by Kahn Motor Company incident to instalment sales by the latter of listed automobiles, e.g. James K. Abrams, James Barkley, Anthony Henderson, Cyrus Porter and others) which did not comply with one or more of the following provisions of Regulation W:

(a) The requirement for the down payment as called for by Section 3(a) and the Supplement,

(b) The requirement that the maturity of the time balance not exceed the one permitted in the Supplement, as called for by Section 3(a), and

(c) The requirement that the time balance be paid in instalments so arranged that a later instalment not be substantially greater than any preceding instalment, as called for by Section 3(b).

III

The Board deems it necessary and appropriate that Proceedings be instituted to determine:

A. Whether the statements set forth in Sections I and II hereof, are true;

B. Whether it is necessary or appropriate in the public interest to suspend the license of the registrant pursuant to Section 8(b) of Regulation W.

IV

It is hereby ordered that a hearing for the purpose of taking evidence on the questions set forth in Section III hereof be held before the Board or before a trial examiner designated by the Board at a time and place to be fixed by the Board.

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

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"UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal Reserve
System held at its offices in the City of Washington, D. C.,
on the 21st day of January, A. D., 1952.

In the matter of

KAHN MOTOR COMPANY, a partnership, and
IRVIN L. COHN and HAROLD GREENBERG,
partners therein, 3943 Easton Avenue,
St. Louis, Missouri.

ORDER FOR PROCEEDINGS
PURSUANT TO SECTION
8(b) OF REGULATION W,
CONSUMER CREDIT.

I

The Federal Reserve Bank of St. Louis has advised the Board of Governors of the Federal Reserve System that Kahn Motor Company, a partnership, and Irvin L. Cohn and Harold Greenberg, partners therein (such partnership and partners hereinafter being called 'the registrants') have filed a registration statement with that Bank pursuant to Sec. 2(b) of Regulation W, consumer credit, issued by the Board of Governors pursuant to Section 601 of the Defense Production Act of 1950, as amended; and that Bank has transmitted information to the Board of Governors which tends to show that since September 18, 1950, the effective date of Regulation W and contrary to the provisions thereof, the registrants have made instalment sales of automobiles listed in that regulation in violation of the terms of that regulation.

II

The information reported to the Board of Governors, as set forth in Section I hereof tends, if true, to show that the registrants, in instalment sales since September 18, 1950, of automobiles listed in Regulation W have violated terms of the latter:

- A. By not obtaining the down payment required by Section 3(a);
- B. By not complying with the requirement of the Regulation that the time balance have a maturity not exceeding the applicable maximum specified in the Supplement;
- C. By not complying with the requirement of the Regulation that no instalment be substantially greater than any preceding instalment;
- D. By keeping records of instalment sales which indicate terms of payment different from those actually agreed upon, in violation of the requirement of the Regulation that bona fide records be preserved as to such terms;
- E. By not complying with the requirement of the Regulation that records of instalment credits include a brief

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"description identifying any property accepted as a trade-in against the down payment and stating the monetary value assigned thereto in good faith;

F. By not complying with the requirement that there be preserved, for the life of the obligation to which they relate, such records as are relevant to establishing whether a credit is in conformity with the requirements of the Regulation.

One or more of the violations alleged in Paragraphs A to F, inclusive, hereinabove occurred in connection with one or more of the sales of listed automobiles by the registrants to the following persons:

Hester Gill

William L. White

Robert Jones

Julius and Willie M. Williams

Otis Thomas

Isaac Brown

Clifford Rhodes

Lawrence Smith

Edwin Bates

Jerome Mabry

III

The Board deems it necessary and appropriate that Proceedings be instituted to determine:

A. Whether the statements set forth in Sections I and II hereof, are true;

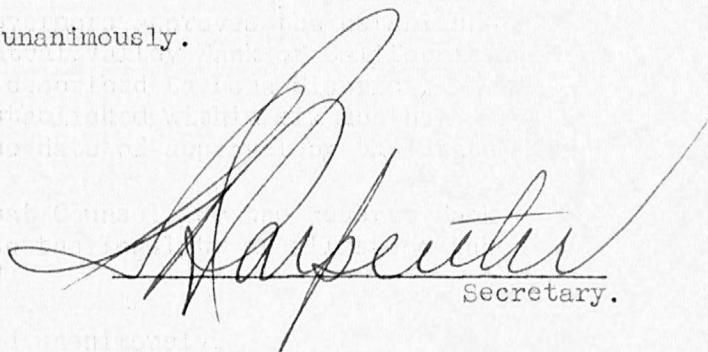
B. Whether it is necessary or appropriate in the public interest to suspend the licenses of the registrants pursuant to Section 8(b) of Regulation W.

IV

It is hereby ordered that a hearing for the purpose of taking evidence on the questions set forth in Section III hereof be held before the Board or before a trial examiner designated by the Board at a time and place to be fixed by the Board.

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

Approved unanimously.



Secretary.