

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, February 20, 1952.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Powell
 Mr. Mills
 Mr. Robertson

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

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on February 19, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 19, 1952, were approved unanimously.

Memorandum dated February 14, 1952, from Mr. Marget, Director, Division of International Finance, recommending that the resignation of Eleanor W. McNeill, Clerk-Stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business February 22, 1952.

Approved unanimously.

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

"This will acknowledge receipt of your letter of February 15, 1952, requesting that the Board approve

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"the appointment of William L. Ensor as an Assistant Examiner for the Federal Reserve Bank of Philadelphia.

"It is noted that Mr. Ensor is indebted to the First National Bank, Wilkes-Barre, Pennsylvania, secured by a mortgage on his home; that the indebtedness is being reduced regularly and that when the opportunity is afforded, he will endeavor to have the obligation removed from the member bank.

"The Board approves the appointment of William L. Ensor as an Assistant Examiner for the Federal Reserve Bank of Philadelphia, with the understanding that he will not be authorized to participate in any examinations of the First National Bank of Wilkes-Barre, Pennsylvania, until his indebtedness to the bank has been liquidated or otherwise eliminated."

Approved unanimously.

Telegram to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"Relet February 18, 1952. Board approves designation of Jesse H. Ellsworth as special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 15, 1952, the Board approves the appointment of George W. Thomas as an Assistant Examiner for the Federal Reserve Bank of San Francisco."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 15, 1952, the Board approves the appointment of Coad C. Shaw as an Assistant Examiner for the Federal Reserve Bank of San Francisco."

Approved unanimously.

Letter to Mr. Strathy, Secretary, Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the reappointments of Messrs. J. G. Holtzclaw, Overton D. Dennis, Ross Puette, Walker D. Stuart, and John L. Whitehurst, as members of the Industrial Advisory Committee for the Fifth Federal Reserve District to serve for terms of one year each, beginning March 1, 1952, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Richmond, as reported in your letter of February 15, 1952."

Approved unanimously.

Letter to Mr. Gilbert, President, Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors approves the reappointments of Messrs. Charles R. Moore, Lawrence S. Pollock, Ira T. Moore, Jake L. Hamon, and Will K. Stripling as members of the Industrial Advisory Committee for the Eleventh Federal Reserve District to serve for terms of one year each, beginning March 1, 1952, in accordance with the action taken by the Executive Committee of the Board of Directors of the Federal Reserve Bank of Dallas, as reported in your letter of February 14, 1952."

Approved unanimously.

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Letter to Mr. A. Baker Nicholson, The National Metropolitan Bank of Washington, Washington, D. C., reading as follows:

"This will acknowledge your letter of February 4 requesting information with reference to the Reserve System and its plan of action in the event of an enemy attack for inclusion in a thesis you are preparing for the Graduate School of Banking on the subject 'Atomic Warfare from the Banker's Point of View'.

"The Board of Governors has given attention to this problem and has approved plans to preserve the vital records of the Board and to provide for a continuance of its essential functions in the event of a disaster. As you will recognize, these plans involve certain elements of confidentiality. However, we may say that the program for preservation of records, which already has been put into effect, includes the micro-filming of minutes and storage of the films and copies of other important records at locations outside the city of Washington. Essential functions will be carried on under a plan which provides for a relocation of operations in the event of serious damage to the Board's quarters and a redelegation of duties assigned to certain members of the Board's staff. Arrangements also have been made for designated Reserve Bank personnel to assume, if necessary in the event of an emergency, duties in connection with certain service functions, including the interdistrict settlement operation and the currency function.

"The Federal Reserve Banks likewise have given consideration to this matter and have been coordinating their plans under the leadership of a senior officer of one of the Banks who was appointed for that purpose by the Conference of Reserve Bank Presidents. To our knowledge, however, none of the Banks have released to date any statement with regard to the details of their programs."

Approved unanimously.

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Telegram to the Director General, The Bank of Mexico, Mexico City, reading as follows:

"Our delegates Havana meeting will be glad to participate in exploration of question economic institute in general terms including especially relationship of this project to proposed Training Center for Economic and Financial Statistics under sponsorship Organization American States. Believe such exploration necessary before there can be consideration of details your plan."

Approved unanimously.

Letter to the Honorable Jack K. McFall, Assistant Secretary, Department of State, Washington, D. C., reading as follows:

"This will acknowledge your letter of February 7, 1952, relating to the matter of foreign decorations bestowed upon military personnel and civilian employees of the United States Government. We note that the Department of State has been seeking a solution which might enable action to be taken upon requests for Congressional consent for acceptance of such decorations and that, to facilitate Congressional action, the Foreign Relations Committee has requested the Department to obtain from each interested executive department and agency certain statements of procedure, suggestions, and comments.

"This Board has not adopted any regulations pertaining specifically to the subject although in the case of any tender of a decoration by a foreign government we would, of course, be guided by the provisions of the Act of January 31, 1881.

"Reviews made pursuant to the President's memorandum of January 6, 1950, have disclosed only a very few instances in which members of the Board or members of the staff have been tendered any such decoration, and none since the year 1947. In the circumstances we would not presume to express an opinion as to which of the alternative procedures suggested in the attachment to your letter

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"would be most satisfactory.

"We trust that the current discussions may result in a solution which will prove acceptable to the Congress and to the executive departments and agencies primarily concerned, and we would anticipate no difficulty in conforming our practices to any principles which might be adopted as a result of these discussions."

Approved unanimously.

Letter to the Honorable Clyde Doyle, House of Representatives, Washington, D. C., reading as follows:

"In response to your letter of February 13, 1952, and pursuant to the telephone conversation you had with Mr. George S. Sloan, Director of the Board's Division of Examinations, there are enclosed charts and other information compiled by the Federal Deposit Insurance Corporation with respect to defalcations in insured banks. The Comptroller of the Currency and the Board of Governors furnish information to the FDIC for purposes of this compilation concerning defalcations, reported to the Attorney General of the United States, occurring in national and State member banks. As indicated on the charts, the FDIC considers this information confidential but authorization was requested and received for its release to you.

"It is believed and sincerely hoped that the increasing number of disclosed defalcations is the result of more effective means of detection both because of improved methods and availability of more supervisory and trained bank personnel since the war years. As explained by telephone, current statistics are not maintained with respect to amounts of defalcations as reported because the first reported figures may expand as investigation proceeds or contract as recoveries are effected and it is felt that such figures would be misleading.

"Bank supervisors, bankers' organizations, and the management of individual banks are constantly concerned with this problem with a view to detection and, most importantly, prevention. The monetary hazard, great as

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"it is, may be largely covered by fidelity insurance but the loss in terms of human suffering of the defaulters' relatives and other innocent persons is incalculable, not to mention the effect upon prestige of individual banks.

"Current efforts to improve internal controls and audit procedures should have a most salutary effect."

Approved unanimously.

Memorandum dated February 18, 1952, from the Office of the Solicitor recommending that, in accordance with the recommendation of the Federal Reserve Bank of San Francisco, the matter of National Stores (partnership), Salt Lake City, Utah, a registrant under Regulation W, Consumer Credit, be referred to the Department of Justice for the institution of such criminal proceedings as that Department might deem appropriate.

Approved unanimously.

Memorandum dated February 19, 1952, from the Office of the Solicitor recommending that, in accordance with the recommendation of the Federal Reserve Bank of Kansas City, the matter of C & E Motors, Great Bend, Kansas, a registrant under Regulation W, Consumer Credit, be referred to the Department of Justice for the institution of such criminal proceedings as that Department might deem appropriate.

Approved unanimously.

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Order for proceedings pursuant to Section 8(b) of Regulation W, Consumer Credit, prepared as a step in carrying out the Board's action of February 11, 1952, relating to Kirschner Brothers, a partnership, Philadelphia, Pennsylvania, 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 20th day of February, A. D., 1952.

In the Matter of
JACOB KIRSCHNER, BENJAMIN KIRSCHNER, and
ISADORE KIRSCHNER, d.b.a.,
KIRSCHNER BROTHERS, a partnership,
1717 North 54th Street,
Philadelphia, Pennsylvania.

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

I

The Federal Reserve Bank of Philadelphia has advised the Board of Governors of the Federal Reserve System that Jacob Kirschner, Benjamin Kirschner and Isadore Kirschner, doing business as Kirschner Brothers, a partnership, hereinafter severally 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 made instalment sales of television receiving sets, electric refrigerators, and other articles 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 Registrant, in instalment sales of listed articles since September 18, 1950, has violated Regulation W:

- A. By not obtaining the down payment required by Section 3(a);

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"B. By not obtaining the down payment at or before the time of delivery of listed articles, as required by Section 3(c);

C. By accepting trade-ins instead of cash as part or all of the down payment on sales of listed articles, contrary to the provisions of Part 5 of the Supplement in force at the time of such sales.

D. By making and arranging instalment credit arising from the sales of listed articles by a method of evasion and circumvention of the requirements of the Regulation within the meaning of Section 6(h)(3), in that it secured instalment loans for its customers and applied the proceeds to the sale prices of the listed articles in excess of the maximum allowable credits for such articles, and described said transactions as cash sales.

E. By failing to make, keep and preserve records relevant to establishing compliance with the requirements of Regulation W, as required by sections 3(b), 6(c), and 8(a), particularly as to dates of deliveries of listed articles and by maintaining erroneous records with notations therein of cash sales which were in fact instalment sales.

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

| | |
|------------------------|---------------------|
| Leon M. Baylor | Horace Allen |
| Moses Case | Mack Arnold |
| John Edwards | Asa Brown |
| William Howell | Sumpers Bradford |
| Raymond Mayo | Leon M. Brown |
| Thomas Rodway | Vince Camiolo |
| Alice Stewart | Anthony Capona |
| Wilson Yard | Thomas F. Carr, Jr. |
| Jack Klazer | Phillip Connor |
| Tillie & Russell Greco | Sam Dock |
| John C. Marscher | John Johnson |

and 93 other persons involving like violations.

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;

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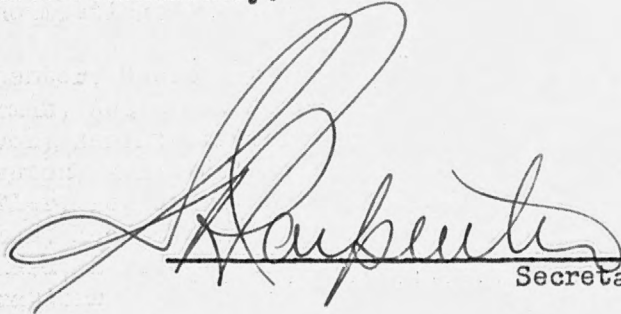
"B. Whether it is necessary or appropriate in the public interest to suspend the license of the Registrant pursuant to Section 8(b) of Regulation W.

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."

Approved unanimously.


Secretary.