

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 10, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

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

At the conclusion of the executive session Messrs. Carpenter, Secretary, Kenyon, Assistant Secretary, Chase, Assistant Solicitor, and Sprecher, Assistant Director, Division of Personnel Administration, were called into the meeting.

Reference was made to the discussion at the meeting of the Board on May 8, 1952, concerning the policy to be followed with respect to cases of violation of Regulation W, Consumer Credit, pending in the Office of the Solicitor and the Federal Reserve Banks, and to the agreement reached at that time (1) that no cases should be submitted to the Department of Justice for a period of 30 days, (2) that the Solicitor should discuss the matter further with the Department of Justice to ascertain whether there had been any change in its views as to how pending cases should be handled, and (3) that at the end of the 30-day period the Board would determine in the light of developments what its policy should be.

Upon inquiry by the Board as to developments in this connection, Mr. Chase said that he had talked by telephone yesterday with a repre-

6/10/52

-2-

representative of the Department of Justice and had been advised that the Department would accept any case submitted to it by the Board, that the Department considered itself obligated, under the provisions of the Defense Production Act of 1950, to prosecute whenever a violation of law, supported by adequate evidence, was called to its attention, and that there had been no change in the Department's attitude as the result of the suspension of Regulation W.

Of the 55 cases which the Board's Solicitor had reported as pending in his Office at the meeting on May 8, Mr. Chase said that subsequently the Board, on the recommendation of the Solicitor's Office, had advised the Reserve Banks concerned that it was closing its files on 33 of these cases either because of insufficient evidence to support a referral to the Department of Justice or because the violations were minor and the Board concurred in the Reserve Bank recommendation that no further action be taken. Mr. Chase pointed out, in connection with those cases where the evidence was not sufficient to support a referral, that the Board's telegram of May 8, 1952 to the Reserve Banks regarding violations of Regulation W advised the Banks that investigations should be terminated as of that date.

Mr. Chase went on to say that the Solicitor's Office had reviewed 15 of the remaining 22 cases and found that there appeared to be sufficient evidence in each instance to warrant their being submitted to the Depart-

6/10/52

-3-

ment of Justice should the Board authorize that procedure. While the other seven cases had not been completely reviewed, he felt that probably most of those also could be referred. He added that two or three additional cases might yet come in from the Reserve Banks.

Mr. Chase said that there had been three convictions in Regulation W cases since the regulation was suspended, one on a plea of nolo contendere, one as the result of trial by jury, and one on a plea of guilty. He said that to date all 13 cases which had been finally disposed of after being referred to the Department of Justice had resulted in convictions.

Governor Robertson said that in suggesting at the meeting on May 8 that no cases be referred to the Department of Justice for a period of 30 days, he had in mind that this would afford an opportunity to ascertain the attitude of that Department after it had had an opportunity to consider its position following the suspension of Regulation W, and that, in view of the conversation reported by Mr. Chase, he felt the Board did not have the right to determine whether these cases should be prosecuted or not, and that its only option was to submit any information in its possession concerning them to the Department of Justice for decision as to whether it desired to prosecute.

In reply to a question by Governor Vardaman as to the policy followed prior to the suspension of Regulation W in referring cases to the

6/10/52

-4-

Department of Justice, Mr. Chase said that cases had not been submitted where it appeared that the evidence was insufficient to support a successful prosecution. He recalled that in one instance the Department had indicated that it could not prosecute because customer contacts had not been made, and for that reason no cases had been referred thereafter which were not supported in that manner.

Governor Vardaman said that although he would prefer that no further prosecutions of Regulation W violations be undertaken on the ground that the time and expense involved was not warranted, he would agree to a referral of the cases pending at the date of the suspension of the regulation provided they were submitted without recommendation, and Mr. Chase commented in this connection that it had been customary practice to refer cases to the Department of Justice for such action as that Department considered advisable.

Thereupon, it was agreed unanimously that the 15 pending cases referred to by Mr. Chase as apparently adequately supported, together with any other of the seven pending cases not completely reviewed by the Solicitor's Office and any additional cases hereafter sent in by the Federal Reserve Banks which fell in the same category, should be referred to the Department of Justice for the institution of such proceedings as might be deemed appropriate by that Department.

At this point Messrs. Chase and Sprecher withdrew, and the following additional actions were taken by the Board:

6/10/52

-5-

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 9, 1952, were approved unanimously.

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

"In accordance with the request contained in your letter of June 5, 1952, the Board approves the appointment of John Garland Deitrick as an assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

Telegram to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"Reurlet June 4. Board approves designation of James A. Broaddus as special assistant examiner for the Federal Reserve Bank of Kansas City."

Approved unanimously.

Letter to the Board of Directors, The Marine Trust Company of Western New York, Buffalo, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch in the Village of Lewiston, New York, by The Marine Trust Company of Western New York, upon condition that the branch is established within six months after the date of this letter."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.

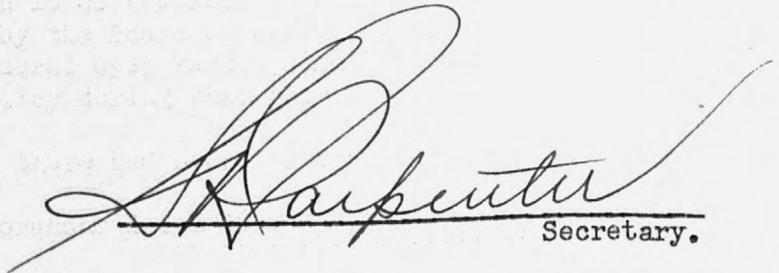
6/10/52

-6-

Letter to the Board of Directors of the Mar Vista Commercial and Savings Bank, Mar Vista, California, stating that, subject to conditions of membership numbered 1 and 2, contained in the Board's Regulation H, and the following special condition, 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 San Francisco:

- "3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$150,000 and other capital funds of not less than \$60,000."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of San Francisco.


Secretary.