

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-578



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 3, 1942

Dear Sir:

There is enclosed for your information and guidance a copy of a letter which the Board has received from the Navy Department dated October 31, 1942, identified by the number 34OPM10311008, signed by Mr. S. A. Mitchell, Chief of Finance Section, regarding the insertion of Optional Condition (N) and of Optional Condition (L) in guarantee agreements executed on behalf of the Navy Department, and with respect to a modification in the standard form of authorization.

In this connection, the Navy Department has requested the Board to advise the Federal Reserve Banks that on and after October 31, 1942, and until instructed to the contrary by the Navy Department, authorizations for the execution of guarantee agreements will include a footnote, referring to the words "standard form dated May 14, 1942" where they occur in the form of authorization, in the following language:

"Subject to the instructions contained in the letter of October 31, 1942 from the Navy Department to the Federal Reserve Banks, 34OPM10311008."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

FOR VICTORY TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



S-578-a

NAVY DEPARTMENT
WASHINGTON

No. 34OPM10311008

October 31, 1942

From: S. A. Mitchell
To: E. L. Smead
Subject: Standard Form of Authorization

The Comptroller of the Currency has suggested that optional condition (N) be included in all guarantee agreements where the proceeds of the loan covered by the guarantee are to be used for one or more specified purposes. Since the use of the proceeds of loans guaranteed by the Navy Department is restricted in practically every instance, the Navy Department requests that optional condition (N) be included in all guarantee agreements, along with the mandatory conditions.

The Federal Reserve Banks are requested not to include optional condition (L) unless the loan has been recommended by the Federal Reserve Bank as being sound from a credit standpoint, and unless the inclusion of such condition has had the prior approval of the Navy Department. The Federal Reserve Banks, as authorized on October 9, 1942, may include in the guarantee agreement any of the optional conditions other than (L) which may be desired by the financing institution.

The Federal Reserve Banks are requested not to agree to the inclusion of language other than that which is substantially contained in the mandatory and optional conditions in the guarantee agreement, as it is the desire of the Navy Department for the guarantee agreements to be standard insofar as possible.

The Navy Department is discontinuing the insertion of instructions with respect to the use of mandatory and optional conditions in authorizations as of this date. This letter is to be included in future authorizations to the Federal Reserve Banks to guarantee in behalf of the Navy Department, by reference.

(Signed) S. A. Mitchell
S. A. Mitchell
Chief of Finance Section