



**FEDERAL RESERVE BANK  
OF DALLAS**

**R. R. GILBERT  
PRESIDENT**

Dallas, Texas, June 25, 1945

**To all State Member Banks in the  
Eleventh Federal Reserve District:**

Attached hereto is a statement of the Board of Governors of the Federal Reserve System under date of June 22, 1945, with respect to the absorption of exchange charges, which is self-explanatory.

In accordance with an understanding between the Comptroller of the Currency, the Board of Governors, and the Federal Reserve Banks, applicable to all member banks, any member bank which absorbs exchange charges for depositors will be expected to keep an adequate record of such transactions, showing the amounts and dates thereof and the names of the depositors concerned.

This record, in the case of State member banks, will be inspected by the examiners of the Federal Reserve bank at the time of all future examinations after August 1, 1945. A similar letter is being sent to all National banks by the Comptroller of the Currency.

Your cooperation in this matter will be appreciated.

Yours very truly,

*R. R. Gilbert*

President

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

June 22, 1945

To All Member Banks of the Federal Reserve System:

Subject: Absorption of Exchange Charges.

The Board of Governors of the Federal Reserve System wishes to invite your attention to the provision of the Federal Reserve Act prohibiting member banks of the Federal Reserve System from paying interest on demand deposits "directly or indirectly, by any device whatsoever". This provision authorizes the Board to determine what shall be deemed to be a payment of interest and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this provision and prevent evasions. The Board's Regulation "Q" provides that "within this regulation, any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest".

In developing a program for the enforcement of this provision of the law with respect to cases involving the absorption of exchange charges, it has been pointed out that the discontinuance of the practice of absorbing such charges in order to conform to the law involves the question whether and to what extent trivial items may be disregarded and also the fixing of a period of time within which the banks concerned may adjust their practices and, if desirable, advise customers affected.

It will be expected that no member bank in any case will utilize the absorption of exchange charges as a device for compensating a depositor for the use of funds in order to obtain or retain demand deposits, but the absorption of such charges in amounts aggregating not more than \$2.00 for any one depositor in any calendar month or in any other regularly established period of 30 days will be considered as trivial and will be disregarded, provided the bank keeps such records as the appropriate supervisory authority may require for reconciliation purposes. It should be clearly understood,

however, that if it is ascertained that any member bank has engaged in the practice of absorbing exchange charges in amounts aggregating more than \$2.00 for any one depositor in any calendar month or in any other regularly established period of 30 days, it will be presumed that the law has been violated.

The Board has also decided that adequate time for such adjustments as may be necessary or desirable in order to conform to this decision will be afforded by fixing August 1, 1945 as the date on and after which all member banks will be expected to comply with this provision of the law. The Comptroller of the Currency and the Board of Governors are in agreement that if after that date it is ascertained that any member bank, national or State, is absorbing exchange charges in violation of the law as explained herein, the measures of enforcement provided by law will be invoked.

This letter is being sent to each member bank of the Federal Reserve System.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary