

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 21, 1941, at 3:00 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 20, 1941, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Sanford and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, First Vice President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. West, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on February 18, by the Federal Reserve Banks of New York, Atlanta, Chicago, Kansas City, and San Francisco on February 20, 1941, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing

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schedules.

Approved unanimously.

Letter to the "Illinois State Bank of Quincy", Quincy, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the 'Illinois National Bank of Quincy', Quincy, Illinois, the national bank into which the Illinois State Bank of Quincy, Quincy, Illinois, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of the Illinois State Bank of Quincy into the Illinois National Bank of Quincy becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise trust powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of St. Louis for transmission to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Letter to "The First National Bank of Wisconsin Rapids", Wisconsin Rapids, Wisconsin, reading as follows:

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"This refers to the resolution adopted on December 19, 1940, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never actually accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

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

"This refers to Mr. Wheeler's letter of February 8, 1941 and telegram of February 11, 1941, regarding the classification of certain trust funds of the Bank of America National Trust and Savings Association, San Francisco, California. It appears from this correspondence and from excerpts from the report of examination of the bank dated January 31, 1940, that funds of the Department of Water and Power of the City of Los Angeles which were received by the trust department of the bank were transferred to the commercial department either as time deposits or as savings deposits.

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"Since it is indicated that the funds were withdrawn by the trust department from the account in question on the day following their transfer to the commercial department, it seems clear that such funds can not be regarded as time deposits within the meaning either of Regulation Q or of Regulation D. Moreover, as indicated in the Board's letter of April 3, 1937 (X-9861; Loose-Leaf Service, #6363) trust funds deposited in the savings department of a member bank may be classified as a savings deposit only if the entire beneficial interest therein is held by an individual or organization of the kind described in subsection 1(e) of Regulation Q. The Department of Water and Power of the City of Los Angeles cannot be regarded as an organization operated primarily for 'religious, philanthropic, charitable, educational, fraternal or other similar purposes' within the meaning of the Regulation and, accordingly, the funds in question may not properly be classified as savings deposits within the meaning either of Regulation Q or of Regulation D.

"The instruction for preparation of reports of condition by national banks, and the like instructions relating to State member banks, provide that Item 1 of Schedule E - Deposits of individuals, partnerships and corporations - should include demand deposits of trust funds to the credit of the trust department of the reporting bank. Such deposits should be reported in like manner in weekly condition reports. In the circumstances it will be appreciated if you will have this matter brought to the attention of the Bank of America National Trust and Savings Association, with the request that trust funds which are deposited by the trust department in the commercial or savings department of the bank under circumstances such as those described be hereafter classified as demand deposits opposite the item 'Deposits of individuals, partnerships, and corporations'."

Approved unanimously.

Letter to The Honorable, The Secretary of the Treasury, reading as follows:

"The Board of Governors has recently received, through the Federal Reserve Bank of Kansas City, a copy of a letter addressed to that bank by a retail store in Lincoln,

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"Nebraska, regarding charges made by local banks for the cashing of Government checks.

"It appears that the retail store in question is called upon to cash for accommodation purposes a large number of Government checks drawn on the Federal Reserve Bank of Kansas City, including WPA, NYA, Agricultural, Veterans', and Postal employees' checks. The letter from the retail store describes the situation as follows:

'Until the first of the year the local banks were handling these items for us at par. They are now charging us 2-1/2¢ on each government item, which makes the cost of this accommodation business prohibitive. In addition they are charging all non-depositors 10¢ each for cashing a government check, which definitely throws all this business back on the retail stores and takes it out of the banks.

'Most of these people, especially W. P. A., receive small checks, and we are reluctant to force them to pay a tax for the privilege of cashing their checks, as now seems inevitable.

'We are writing you to see if some way cannot be found to handle these checks at par.

'It is a very serious problem with us and we will appreciate your suggestions.'

"From the information available, it does not appear that any violation of the provisions of the Federal Reserve Act is here involved. However, believing that the situation will be of interest to your department, and in the light of the President's memorandum of September 28, 1935, in which he urges all banks to cash at par Government checks issued under the emergency relief program, this matter is brought to your attention for such consideration or action as you may deem desirable.

"It will be appreciated if you will advise the Board of any action which you may take in this connection."

Approved unanimously.

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Thereupon the meeting adjourned.

Charles Morrie
Secretary.

Approved: W. S. [Signature]
Chairman.