

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 1, 1941, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
 Mr. Szymczak  
 Mr. McKee  
 Mr. Draper

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 April 30, 1941, were approved unanimously.

Memorandum dated April 30, 1941, from Mr. Paulger, Chief of the Division of Examinations, recommending that Milton K. Johnston, a page in the Office of the Secretary, be transferred to the Division of Examinations as a stenographer, with salary at the rate of \$1,440 per annum, effective as of May 1, 1941.

Approved unanimously.

Memorandum dated April 30, 1941, from Mr. Nelson, Assistant Secretary, recommending that Mr. Gordon B. Grimwood be appointed as a stenographer in the Office of the Secretary, with salary at the rate of \$1,440 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Retel April 30. Board approves employment law firm of Mayer Meyer Austrian & Platt and attorney Robert N. Holt of Chicago as special counsel in tax matter on terms stated in your telegram."

Approved unanimously.

Telegram to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Your wire account Banco Central de Venezuela. In view of blanket permission granted to Federal Reserve Banks in X-9774 (Loose-Leaf 5720) to establish accounts for foreign central banks, Board has not required that Federal Reserve Banks receive special authorization to participate in such accounts. Authorization to participate in account of Yugoslavian Government was given because X-9774 does not authorize accounts for foreign governments."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of April 9, 1941, with enclosures, requesting an opinion with respect to the right of a member bank to make a collection charge against a Federal Reserve Bank when remitting for a draft with pass book attached drawn against one of its savings accounts. It is understood that such a charge has been made against the Federal Reserve Bank of Minneapolis by one of its member banks and that the charge has been disallowed.

"It is noted that Mr. Thomas H. Hodgson, your Assistant Counsel, in a memorandum dated March 31, 1941 with respect to this question, has reached the conclusion that under the Federal Reserve Act the charge here involved cannot be made against the Federal Reserve Bank; but that

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"Mr. Sigurd Ueland, Counsel for your bank, has indicated that he feels that the charge might properly be imposed and has suggested that the matter be submitted to the Board for further consideration.

"The Board ruled in 1919 (1919 Federal Reserve Bulletin, 964) that 'a check upon a savings account in a member bank is a check or draft within the meaning of that part of section 13 of the Federal Reserve Act which prohibits any bank from making a charge against a Federal Reserve Bank upon checks or drafts presented for collection or payment and remission therefor by exchange or otherwise.' The Board's files indicate that in the case then under consideration the pass book was attached to the check and it would appear therefore that the situation was identical with that now involved.

"Again in 1922, in a letter to the Federal Reserve Bank of Chicago, the Board expressed the opinion that a Federal Reserve Bank in collecting a check with pass book attached drawn on a savings account in a member bank has no authority to pay a charge imposed by the member bank for payment and remission. It appears that the check in this case was handled as a collection item. The Board expressly stated that the prohibition of the law applies 'irrespective of whether or not the items are handled as cash items or as collection items' and that the item in question was a 'check payable upon presentation' and accordingly payable at par under the terms of the law.

"If the draft in the present case, which is drawn upon a bank, is payable on demand, such draft in legal effect constitutes a check. Mr. Ueland suggests, however, that a check drawn upon a savings account with pass book attached is not absolutely payable upon presentation and that therefore the prohibition against the making of exchange charges against Federal Reserve Banks does not apply to the collection of such an item. Without an opportunity to examine the particular draft involved in the present case, we are unable to express a definite opinion as to whether it is a check or draft payable upon presentation within the meaning of the law. If such is not the case, the item would be collectible by the Federal Reserve Bank only as a maturing note or bill and the prohibition against the payment of exchange charges by the Federal Reserve Bank would, of

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"course, not apply. On the basis of the facts presented, however, it does not appear that the situation is any different from that involved in the 1919 case in which the Board expressly stated that a check drawn on a savings account with pass book attached is 'payable upon presentation.'

"Mr. Ueland also suggests that it could be contended that the member bank performs a service in connection with the pass book for which it may properly make a charge. It is believed, however, that while such a charge may properly be made against the depositor, no such charge may be made against the Federal Reserve Bank even though it is to be passed on to the original holder. In the case of Pascagoula National Bank v. Federal Reserve Bank of Atlanta, 3 Fed. (2d) 564, the court expressly held that the charge in that case, even though primarily made against the depositor, could not be made against the Reserve Bank to be passed on to the owner.

"On the basis of the facts presented, and assuming that the item is actually payable upon presentation, it is the Board's opinion that a Federal Reserve Bank has no authority to pay a charge imposed by its member bank for the payment of a draft with pass book attached drawn upon a savings account in the member bank.

"With respect to the suggestion that your operating letter relating to the collection of non-cash items be amended to remove any doubt as to whether charges may be made on items of the kind in question, the matter appears to be one which might properly have the consideration of the Standing Committee on Collections at some convenient time. In order that the Committee may be informed with reference to this matter, we are sending copies of this correspondence to the Chairman of the Committee."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. C. ...

Chairman.