

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, August 29, 1942, at 11:30 a.m.

PRESENT: Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with your request the Board of Governors approves the changes in the personnel classification plan of the Head Office and the San Antonio and Houston Branches of your bank, as submitted with your letter of August 21, 1942."

Approved unanimously.

Letter to Mr. Lysen, Operating Research Officer at the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers further to your letter of August 6 regarding differences in deposits reported in call reports and in reports of deposits subject to reserve.

"With respect to the failure of member banks to properly report past due time certificates of deposit, on referring to our files we find that the tabulation of differences as of December 31, 1941, sent to the Board by Mr. Peterson under date of March 2, shows six instances in which matured time certificates of deposit had been incorrectly reported as demand deposits in the reports submitted for reserve computation purposes. The differences in these cases averaged \$12,000 per bank. The corresponding tabulation as of June 30, 1941, shows four such discrepancies,

8/29/42

-2-

"averaging \$9,000 per bank. Neither of these tabulations shows any instance where matured time certificates of deposit had been incorrectly reported as time deposits in reports of deposits submitted for reserve computation purposes. There may, of course, have been some such instances involving smaller discrepancies, inasmuch as the semiannual tabulations sent to the Board cover only discrepancies of \$5,000 or more. In the circumstances, it is suggested that your Bank use its own discretion in determining whether in any given case the amount of matured certificates of deposit is sufficiently large to warrant your insisting upon the member bank's showing such certificates of deposit as demand deposits rather than as time deposits in its call condition reports.

"We have noted what you say with respect to the practice followed by some banks of charging drafts drawn on the Federal Reserve Banks to their reserve accounts instead of setting them up in the account 'Due to Federal Reserve Bank (transit account)' during the time the items are in transit. The Board's letter of August 3, 1939, S-171-a (see Federal Reserve Loose-Leaf Service #5952), seems to cover the points raised in your letter. If after further consideration you feel that the procedure set forth in S-171-a should be revised, we should be glad to hear further from you.

"In this connection, you may want to consider discontinuing or curtailing your semiannual reports of differences in deposits, as shown in call reports and in reports submitted for reserve purposes. Your Bank is the only one from which such reports are now received, although we do get from another Reserve Bank a very general statement of the results of such comparisons. It would be sufficient from our standpoint if you sent us a report only of differences which, in the opinion of your Bank, required the attention of the Board. As you know, the change in definition of deposits brought about by the Banking Act of 1935 resulted in a considerable reduction in the number of discrepancies."

Approved unanimously.

Letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

8/29/42

-3-

"Reference is made to your June voucher in the amount of \$90.73 for reimbursement of expenses incurred on behalf of the Maritime Commission pursuant to Regulation V.

"Mr. Griffith of the Maritime Commission has stated that in cases where a Reserve Bank has made no loans for account of the Commission, he hoped that vouchers requesting reimbursement of expenses may be withheld at this time. Should your Bank guarantee a loan on behalf of the Maritime Commission at some future date, Mr. Griffith will have no objection to your including the \$90.73 in the voucher covering expenses then incurred on behalf of the Maritime Commission.

"Mr. Smead will be glad to discuss this matter with you on September 1."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. Gynzak
Member.