

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 22, 1943, at 2:00 p.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Evans

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, 1943, were approved unanimously.

Memorandum dated February 20, 1943, from Mr. Morrill, recommending that Mrs. Chlora E. Craig be appointed as a kitchen helper in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with salary at the rate of \$1,080 per annum, effective February 22, 1943.

Approved unanimously.

Memoranda dated today from Mr. Morrill, recommending that Mrs. Sallie K. Farrow and Mrs. Mamie A. Leake be appointed as kitchen helpers in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, each with salary at the rate of \$1,080 per annum, effective February 22, 1943.

Approved unanimously.

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Memorandum dated February 19, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending, for the reasons stated in the memorandum, that the headquarters of Harold T. Krug, an Assistant Federal Reserve Examiner, be changed from Omaha, Nebraska, to Denver, Colorado.

Approved unanimously, effective immediately.

Letter to the board of directors of the "First State Bank of Newman", Newman, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Such bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'First State Bank of Newman', Newman, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"In connection with condition of membership numbered 4, it has been noted that the bank has agreed to increase the

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"number of its directors to five at an early date. With the understanding that the matter will be attended to without undue delay, the Board will not object to the admission of the bank to membership with only four directors."

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

"This refers to your letter of February 4, 1943, with its enclosures, regarding the classification of funds of United States Army post exchanges.

"Your letter suggests the desirability of publishing in the Federal Reserve Bulletin the ruling contained in the letter addressed by the Deputy Comptroller of the Currency to the Chief National Bank Examiner of your District, dated July 24, 1942, to the effect that funds of post exchanges are 'public monies' within the meaning of section 10 of the Act of June 11, 1942 (Public No. 603, 77th Cong.), if received by a national bank under its designation as a general depository of the United States. Substantially similar views were expressed in a letter recently addressed by the Board to the Federal Reserve Bank of Atlanta, advising that deposits of such funds, where made under the conditions specified in section 10 of the Act of June 11, 1942, should be shown in reports of condition as deposits of the United States Government; and a copy of this letter is enclosed for your information. This letter has not been published in the Federal Reserve Bulletin, since it is contemplated that instructions to this effect will be issued when forms for call reports are next sent to member banks.

"While it is clear from the letter of the Deputy Comptroller of the Currency above mentioned that national banks may pledge their assets to secure deposits of post exchange funds in the circumstances described, the question whether State member banks have authority to pledge their assets in this manner is, of course, a question which depends upon State law. Presumably, however, no State bank which is designated as a Government depository will be permitted by the Treasury Department to accept post exchange funds pursuant to the Act of June 11, 1942, unless the bank pledges appropriate security for such funds.

"Your letter also suggests that a published interpretation of the Board as to whether deposits of post exchange funds may properly be classified as 'savings deposits' would be helpful. This question, of course, is not necessarily

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"affected by the fact that such funds may be treated as 'public monies'. It is a question which, for the purposes of the Board's Regulation D and Regulation Q, must be governed by the definition of the term 'savings deposits' contained in those regulations.

"Recently, the Board was presented with the question whether a national bank could lawfully accept a savings deposit from an Army post exchange where it appeared that the post exchange made a small profit on its sales, although the making of such profit was incidental to its principal purpose of being a service organization for the benefit of service men. On the basis of the facts in this case, the Board expressed the view that the Army post exchange in question could not be regarded as an 'organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit', and that, accordingly, the funds of such post exchange deposited in a member bank did not constitute savings deposits within the meaning of Regulation Q. The Board's letter stated, however, that if further information should indicate that the funds involved were, in fact, used solely for educational or recreational purposes, the Board would offer no objection to the classification of such funds as savings deposits.

"Since the propriety of classifying post exchange funds as 'savings deposits' must depend upon the facts of the particular case, it has not been deemed desirable to publish any ruling with respect to this question in the Federal Reserve Bulletin."

Approved unanimously.

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

"Your letter of January 27, 1943, requesting an interpretation of Regulation T, gives the facts as follows:

'The customer's general account shows an excess of the adjusted debit balance in amount of \$5,000.00 over the maximum loan value of the registered securities in the account. About a month ago the customer purchased 200 shares of a non-issued (non-exempted) security at 16 5/8 and deposited margin of \$1,330.00 which amount is included in the adjusted debit balance of the customer's account. The customer has now sold 150 shares of the non-issued security at 23.'

"The first question is how much may be withdrawn from the account on the date of sale. This amount, which is

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"calculated by reference to sections 3(b), 3(d)(4), and 3(h), is \$565.

"The second question is 'By what amount must the debit balance be adjusted as margin required to cover 50 shares of unissued securities still remaining in the account, assuming that the price remains at 23?'. This amount, which is calculated by reference to sections 3(d)(4) and 3(h), is zero.

"We are not quite certain what is meant by the third question in your letter but we shall answer it on the assumption that it asks what is the amount that may be withdrawn on the date of sale if, instead of selling 150 shares, the customer had sold 200 shares at 23. This amount is \$565, the same amount as in the first question.

"For your information, we are attaching a memorandum written by a member of the staff which shows in detail how these figures are determined."

Approved unanimously.

Thereupon the meeting adjourned.

Ernest Morie
Secretary.

Approved:

W. C. ...
Chairman.