

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 16, 1943, at 11:00 a.m.

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

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 September 15, 1943, were approved unanimously.

Bond in the amount of \$10,000, executed under date of September 1, 1943, by LeRoy Larsen as Federal Reserve Agent's Representative at the Salt Lake City Branch of the Federal Reserve Bank of San Francisco.

Approved unanimously.

Memorandum of this date from Mr. Nelson, Assistant Secretary, recommending that the temporary appointment of Ulys H. Craig as a cafeteria helper in the Secretary's Office be extended on a temporary basis for an indefinite period, effective at the expiration of his present appointment at the close of business on September 17, 1943,

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with an increase in his basic salary from \$1,080 to \$1,200 per annum, effective September 16, 1943.

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Kansas City and its Branches as submitted with your letter of September 2, 1943. In addition, page 95 covering the position of Superintendent, Building Department, has been cancelled in accordance with your telephone request and a new page has been prepared indicating that page 95 has been withdrawn. This page will be placed in the Board's copy of your personnel classification plan and a duplicate copy is enclosed for your use."

Approved unanimously.

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

"Re letter September 10. In accordance with regulations of the Board of Governors regarding branches of Federal Reserve Banks, the Board hereby approves discontinuance of the offices of Manager at the Houston and San Antonio Branches and the designation of a Vice President of the Bank to serve as managing officer at each of the two branches.

"In accordance with action of your directors, Board approves continuation of payment of salaries for the period ending May 31, 1944 to Mr. Austin and Mr. Pondrom in their new capacities as Vice Presidents at the rates as previously approved for them as Managers of the respective branches."

Approved unanimously.

Telegram to be dated September 17, 1943, to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

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"Retel September 14. Pursuant to provisions of Section 19 of Federal Reserve Act Board grants permission to Westport Avenue Bank, Kansas City, Missouri, to maintain same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date of its admission to membership. Please advise bank of this action and of permission being subject to revocation at any time by Board."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr.

Millard W. Rice, National Service Director, Disabled American Veterans, National Service Department, reading as follows:

"This refers to your letter of August 20, 1943, regarding the practice of some national banks in making charges against disabled veterans and dependents of deceased veterans for the cashing of compensation and pension checks. You ask whether it is not possible for the Board to issue a directive to the effect that no such charges shall be made by any bank which is a member of the Federal Reserve System.

"Your attention is directed to the following paragraph of section 16 which is a part of the original Federal Reserve Act:

'Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Board of Governors of the Federal Reserve System shall, by rule, fix the charges to be collected by the member banks

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"from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.'

"You will observe from this paragraph that no member bank may be prohibited from charging its actual expense incurred in collecting and remitting funds. At most, the Board could fix the charge in an amount not to exceed the actual expense incurred and this charge would be applicable only to such checks as might be cleared through a Federal Reserve Bank. Since the actual expenses incurred by various banks in various situations must necessarily differ, it would be impossible for the Board to fix a rule of general application if, indeed, it would not be impossible for a bank itself to ascertain such costs with respect to specific items. Answering your specific question, therefore, it is not possible for the Board to issue a directive to the effect that no such charges shall be made by any bank which is a member of the Federal Reserve System.

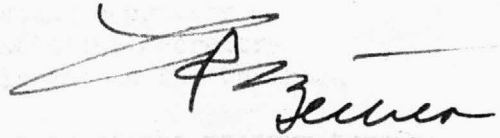
"In this connection it may be pointed out that of the approximately 14,000 commercial banks some 7,500 are not members of the System and would not be subject to any directive of the Board if such a directive were possible. The Board is not informed as to the percentage of banks which make charges for cashing Government checks. It would be surprised, however, if there are many member banks which make charges against regular customers having accounts with them. It wonders if the cases which have come to your attention are not cases where the payees did not maintain accounts with the banks and where questions of identification and resulting risk might not also have been involved. Also, it may be pointed out that even if it were possible for the Board to prohibit member banks from making charges for the cashing of Government checks, including checks of the kind described in your letter, such a prohibition might be followed by the refusal of some banks to cash such checks at all.

"I do not imagine that you have found many member banks of the Federal Reserve System unwilling to view sympathetically the problem raised in the first paragraph of your letter. However, this reply is directed specifically to answering your question as to what the Board of Governors can do in the way of issuing a directive."

Approved unanimously.

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Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.