A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 22, 1943, at 11:30 a.m.

PRESENT: Mr. Szymczak
       Mr. McKee
       Mr. Draper
       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 December 21, 1943, were approved unanimously.

Memorandum dated December 20, 1943, from Mr. Morrill, recommending that the basic salary of Paul H. Berntson, a clerk in the Secretary's Office, be increased from $2,400 to $2,600 per annum, effective January 16, 1944.

Approved unanimously.

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

"This refers to your letter of December 13, 1943, advising that the Executive Committee of the directors of your Bank on December 9, 1943, approved payment of the bills itemized in your letter submitted by Squire, Sanders & Dempsey, counsel for your Bank, in the total amount of $1,500. Of this amount, $750 covers fees for services under Regulation V from October 1 to December
'31, 1943, $500 for services on behalf of the War Department and $250 for services on behalf of the Navy Department; $250 covers special services in connection with Retirement System matters from July 1 to December 31, 1943; and $500 covers services in connection with the revision of Regulation N from July 1 to December 31, 1943.

"It is noted that the amounts listed for Regulation V operations will be included in your claims for reimbursement to the War and Navy Departments, respectively, and that the amounts listed for services in connection with Retirement System matters will be prorated among the Federal Reserve Banks.

"The Board of Governors approves the payment of $1,500 to Squire, Sanders & Dempsey for their services as specified in your letter."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"A question has been raised as to the proper interpretation of the special condition regarding commitment fees which is required to be included in guarantee agreements executed with respect to so-called VT loans. That condition, as set forth in the enclosures with the Board's letter of August 30, 1943 (S-680), reads as follows:

'(B) The Financing Institution shall pay to the Reserve Bank at the end of each monthly or quarterly period, as fixed by the Reserve Bank, an amount equal to a percentage of any commitment fee payable by the Borrower to the Financing Institution, which percentage shall be the same percentage as that specified in section 16 of this agreement.'

"The question raised is whether the part of the commitment fee to be paid to the Reserve Bank under this special condition should be computed upon the basis of the entire amount of the commitment fee payable by the Borrower to the Financing Institution or merely on the basis of the guaranteed portion of the loan. The question has been suggested by the fact that, under section 16 of the standard form of guarantee agreement of April 6, 1943, the amount
"of the guarantee fee is computed on the basis of that part of the unpaid principal amount of the loan which the Guarantor is obligated to purchase. "It is to be noted, however, that the special condition does not require that the part of the commitment fee payable to the Reserve Bank shall be computed in the same manner or on the same basis as the guarantee fee is computed under section 16, but merely incorporates the percentage specified in that section. Accordingly, we have been advised that it is the intention of the War Department, the Navy Department, and the Maritime Commission that, under the special condition in question, the Guarantor, through the Reserve Bank, should receive a specified percentage of the entire commitment fee payable by the Borrower to the Financing Institution, and that the condition should be so interpreted. The specified percentage in any case should be the same as that stated in section 16 of the particular guarantee agreement."

Approved unanimously, together with letters to Colonel Cleveland, Mr. Coolidge, and Lieutenant Griffith of the War and Navy Departments and the Maritime Commission, respectively, transmitting copies of the above letter for their information.

Letter prepared in Spanish for the signature of Mr. Fansom to the Banco de la Republica, Bogota, Colombia, reading as follows:

"The representatives of this Board, Messrs. Bray Hammond and Robert Triffin, who recently visited your Bank in the course of an extensive trip made by them to important centers in South America, have just returned to Washington. They confirm and emphasize in their verbal reports the account they had already given us more briefly by mail of the abundant and gracious hospitality which you accorded them. We wish to assure you that these courtesies to our representatives are deeply appreciated. In particular we are gratified by your generous willingness to have don Enrique Davila join them in Asuncion and take part in the work being done there for the Banco de la Republica del Paraguay. Senor Davila's familiarity with South American banking practice made his cooperation of the utmost practical value. His work will be deeply appreciated by the
"Paraguayans, and we ourselves feel honored and happy in having your Bank associated with us in the work that was being done for them.

"We are also pleased to know that our project for the preparation and publication of a series of studies of central banking in the Latin American countries interests you and that the study already prepared on your country has had the benefit of corrections and improvements by members of your staff. We hope to publish the Colombian study in the Federal Reserve Bulletin in the near future. The reception which our representatives say the project received elsewhere indicates that the prospect of these studies is welcomed, that there is general willingness to cooperate in their preparation, and that they will therefore be of practical usefulness.

"One of the chief benefits that we anticipate from this program will be the closer contacts it will bring us with our sister institutions in Latin America. The opportunity to exchange views from time to time on the central banking problems of our respective countries is certain to be of great mutual advantage. To that end, and also in order that we may show our genuine appreciation of your thoughtfulness, courtesy, and generous kindness to our representatives, we look forward to having from time to time in the future the pleasure of visits from your directors, officers, and other members of your staff.

"Please accept this renewed assurance of our cordial esteem."

Approved unanimously, together with a similar letter to the Banco de la Republica Oriental del Uruguay, Montevideo, Uruguay, and the following letter to the Banco de la Republica del Paraguay, Asuncion, Paraguay, both for Mr. Ransom's signature:

"Mr. Bray Hammond and Mr. Robert Triffin have returned to Washington from their work in Asuncion and speak in the highest terms of the courtesy and attention that were shown them by your Bank in the course of their stay. We have heard with great interest of their accomplishments and suggestions, and cordially hope that the fruits of their efforts may be substantial. We were especially pleased that they had the assistance of don Enrique Davila of the Banco de la Republica, Bogota, and feel sure that this cooperation has been of
"great advantage both to you and to ourselves.
"The visit of Mr. Harmodio Gonzalez to Washington
is recalled with pleasure, and we are happy to feel that
the close association which has developed between you and
ourselves will continue to be a source of pride and satis-
faction to us both."

Under date of December 17, 1943, the Board received from Mr.
William H. McReynolds, Administrative Assistant to the President, ad-
vice that the President had indicated that the heads of departments and
agencies of the Government might, in their discretion, permit offices
or establishments to be closed, or any employees whose services could
be spared to leave their work, not earlier than two hours in advance
of the usual closing time on Christmas Eve, December 24. In accordance
with this advice, the Personnel Committee recommended that the Board
extend this permission to its employees and that the division heads be
authorized to arrange accordingly with respect to the employees in their
respective divisions.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Secretary.

Member.