

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 10, 1944, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 January 8, 1944, were approved unanimously.

Memorandum dated January 8, 1944, from Mr. Morrill, recommending (1) that the temporary appointment of Mrs. Blanche Broadhurst as a cafeteria helper in the Secretary's Office be extended for an additional period of not to exceed 60 days from the expiration of her present appointment at the close of business on January 14, 1944, with no change in her present salary which is at the rate of 57 cents an hour, plus 8-1/2 cents overtime, on a six-hour per day basis, and (2) that the basic salary of Ulys H. Craig, a cafeteria helper, be increased from \$1,200 to \$1,260 per annum, effective January 16, 1944.

Approved unanimously.

1/10/44

-2-

Memorandum dated January 7, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Miss Doris Engel, a clerk-stenographer in that Division, be increased from \$1,620 to \$1,740 per annum, effective January 16, 1944.

Approved unanimously.

Letter to Honorable Kenneth S. Wherry, United States Senate, reading as follows:

"We appreciate the opportunity which you have given us in your letter of January 3 to comment upon the communication received from your banker friend in Nebraska. The matter contained in quotations which he described as an order did not emanate from the Board of Governors and we do not know its source. Moreover, it evidences a misunderstanding of the Board's position. The situation referred to grew out of the fact that some time ago the Board of Governors was presented with a question as to whether the practice disclosed by examination of a certain member bank which had been absorbing exchange and collection charges was a violation of a provision of law prohibiting the payment by member banks of interest on demand deposits, directly or indirectly, with respect to which the Board is charged with certain regulatory responsibilities under the Federal Reserve Act. Before responding to the request and after long and careful consideration, the Board submitted on August 6, 1943 to Chairman Steagall of the House Banking and Currency Committee and Chairman Wagner of the Senate Banking and Currency Committee a draft of a letter to be dated August 23, 1943, containing the ruling which had been prepared in accordance with the advice of counsel. Receiving no comments or criticisms from the respective Chairmen, the Board issued the ruling on August 23 and it was published on September 13, 1943 in the Federal Reserve Bulletin. The bank to which the ruling applied and other banks in the same community promptly announced their intention to comply. The correctness of the Board's interpretation has been accepted by the bank to which it

1/10/44

-3-

"applied and has not been contested in the Courts. Many other banks have since then admitted similar practices and have announced their discontinuance.

"For your further use in responding to your friend you will find enclosed a mimeographed copy of a statement which we use in replying to inquiries regarding this matter, together with mimeographed copies of the letter of August 6 to Congressman Steagall (the letter to Senator Wagner being substantially the same), and of the ruling which was published in the Federal Reserve Bulletin.

"You will see, and I trust that your correspondent will also appreciate, from reading the enclosed information, that the Board's action was simply a statement of the law as applied to a particular practice brought to its attention by the appropriate supervisory authority on the basis of examination of the bank which had been following the practice. The Board, of course, would expect that any member bank that was following a similar practice would make such adjustments as might be necessary in order to conform to the law. In this connection, the Board's position has not been--as would be gathered from the information received by your banker friend--that the ruling in question would apply only to 'bank to bank' relationships and not to 'bank to customers' relationships. The interpretation of the law covered by that ruling would apply to any situation of a similar nature regardless of whether the customer was a bank, a national account, or some other type of non-banking customer."

Approved unanimously.

Letter to Honorable D. W. Bell, Under Secretary of the Treasury,
reading as follows:

"This will acknowledge receipt of your letter of January 6, 1944, with respect to the printing of \$40,200,000 of Federal Reserve notes of the Federal Reserve Bank of San Francisco with the Hawaiian overprinting.

"It is noted from your letter that these notes are intended to be used to establish a reserve in custody with the Federal Reserve Bank of San Francisco, and that

1/10/44

-4-

"shipments therefrom will be made on telegraphic advice to that Bank as required to meet currency needs in Hawaii."

Approved unanimously, together with the following letter to the Comptroller of the Currency, it being understood that copies of the correspondence would be sent to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 15, 1943, for printing of Federal Reserve notes of the 1934 series of the Federal Reserve Bank of San Francisco in the following denominations and amounts:

<u>Denomination</u>	<u>Number of sheets</u>	<u>Amount</u>
\$5	168,000	\$10,080,000
10	125,000	15,000,000
20	63,000	15,120,000

"The above request is to cover Federal Reserve notes of the Federal Reserve Bank of San Francisco overprinted for use in Hawaii, in accordance with request received from the Treasury Department dated January 6, 1944."

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. H. ...
Chairman.