

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 3, 1944, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
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 hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 2, 1944, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard, Stewart, and Hale, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on February 29, by the Federal Reserve Bank of Atlanta on March 1, by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on March 2, 1944, and by the Federal Reserve Banks of Boston and Chicago today, of the

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rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated February 28, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending that the basic salary of Andrew N. Thompson, a Federal Reserve Examiner, be increased from \$4,000 to \$4,400 per annum, effective March 16, 1944.

Approved unanimously.

Letter to the board of directors of the "Miners and Merchants Savings Bank", Lead, South Dakota, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Minneapolis.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Miners and Merchants Savings Bank', Lead, South Dakota, 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 Superintendent of Banks for the State of South Dakota, for his information.

"According to Mr. Swanson's letter of February 16 transmitting the application, a copy of the recent amendment to the articles of incorporation with respect to the

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"increase in common capital from \$25,000 to \$50,000 had not at that time been received. Since an increase in capital was necessary in order to meet the eligibility requirements for membership, it is assumed of course that before issuance of Federal Reserve Bank stock to the bank your counsel will satisfy himself that the increase has been legally effected.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It has been noted, however, that losses in loans were ordered charged off by the board of directors and that provision is to be made for the remaining amount classified."

Letter to the board of directors of the "South Main State Bank", Houston, Texas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Dallas. The letter also contained the following special comment:

"It appears that the bank possesses the power to issue and sell investment certificates, which power is not necessarily required in the conduct of a banking business. It appears also that the bank possesses authority to exercise fiduciary powers but does not expect to engage in fiduciary activities. Attention is called to the fact that if the bank should desire to exercise the power to issue and sell investment certificates or to exercise fiduciary powers, it will be necessary under condition numbered 1 to obtain the permission of the Board of Governors before exercising them."

Approved unanimously, for transmission through the Federal Reserve Bank of Dallas.

Letter to the Presidents of all the Federal Reserve Banks,

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reading as follows:

"There is enclosed for your information a copy of a statement dated February 29, 1944, relating to the policy followed by the Navy Department in passing upon VT loans, which Mr. Coolidge has asked be transmitted to all Federal Reserve Banks."

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director of Legislative Reference, Bureau of the Budget, reading as follows. The letter was prepared in this form after further informal consideration of the matter following the meeting of the Board on February 22, 1944:

"This refers to your letter of February 3, 1944, requesting an expression of views with regard to H.R. 3513, a bill 'To amend section 1313 of the Code of Law for the District of Columbia.' Enclosed with your letter was a proposed report of the Treasury Department on this bill.

"It appears that the purpose of the bill is to avoid the effect of the recent case of Washington Loan and Trust Company v. United States (The Stitely case), decided by the United States Court of Appeals for the District of Columbia in 1943, in which the United States recovered the amount of certain checks, drawn on the basis of vouchers fraudulently prepared by a Government employee, from banks which cashed the checks on endorsements forged by such employee.

"The bill would amend the Code of Law of the District of Columbia to make checks issued under circumstances similar to those of the Stitely case payable to bearer, so that in similar cases in the future the loss would fall upon the drawers of the checks rather than on the banks which cash them. The opinion in the Stitely case indicates that under existing law the loss would fall upon the drawer of the checks if the agent empowered to sign the checks, instead of another employee of the drawer, commits the forgery. It seems to the Board that it is equitable, in

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"circumstances similar to those existing in the Stitely case, that the loss should fall upon the drawer of the checks even though it happens that the employee responsible for the fraud is not the agent empowered to sign the checks.

"The proposed amendment is identical with the amendment to the Negotiable Instruments Law which has been adopted in the States of Idaho, Illinois, and Montana, and it is noted that the Chief Justice of the United States Court of Appeals for the District of Columbia, in his opinion in the Stitely case, stated that, in the light of present day conditions in the District of Columbia, there is much to be said for the passage of a similar amendment to the Negotiable Instruments Law in the District.

"In the circumstances, the Board of Governors feel that the change in the law proposed by H.R. 3513 is an equitable one and therefore favors the enactment of the bill."

Approved unanimously, together with a letter to Honorable D. W. Bell, Under Secretary of the Treasury, transmitting a copy of the above letter.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. Lewis
Chairman.