

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 24, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, 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 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 April 22, 1944, were approved unanimously.

Over the week end further consideration was given by Chairman Eccles to the question whether a statement should be issued in connection with the international stabilization fund which was discussed at the meeting of the Board on April 21, 1944. After discussing the matter further with Mr. Goldenweiser and others, the Chairman submitted to the other members of the Board the following draft of statement which he felt could properly be made.

"International economic cooperation in the trying postwar period is a matter of great significance for postwar prosperity. It is a matter of no small consequence that agreement of technical experts representing thirty-four nations on international collaboration has been achieved.

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"Federal Reserve technicians have participated in the discussions from the beginning, and Federal Reserve authorities, in view of their responsibilities relative to credit conditions in this country, have a great interest in the effect of any arrangements relating to currency stabilization.

"It is understood that no governments are committed by the action of the technicians. It now becomes necessary for the executive branch of the Government to consider the proposal of the technical experts and to determine what course of action in this matter should be undertaken and ultimately what program should be recommended to Congress."

The statement was approved in the form set forth above by all of the members of the Board present except Mr. McKee who was of the opinion that such a statement was of questionable value and therefore wished to be recorded as "not voting."

Letter to Mr. Wayne, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of April 20, 1944, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond:

R. C. Noftsinger	Frank E. Landrum
A. A. Duggan	E. V. Schumann
C. R. Chalkley	A. C. Heinrich, Jr.
J. C. Knapp	A. L. Richardson, Jr."

Approved unanimously.

Letter to the board of directors of the "Bank of Brinkley", Brinkley, Arkansas, 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

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System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

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

Letter to the board of directors of the "Pan American State Bank", Brownsville, 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 "Fidelity Deposit Bank of Derry", Derry, Pennsylvania, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the

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"Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter prepared in accordance with the action taken at the meeting of the Board on April 14, 1944, to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In Mr. Ransom's absence I am acknowledging the receipt of your letter of April 12 with which you enclosed a letter from the President of the Allegan State Bank, Allegan, Michigan, with regard to the offer of the American National Bank and Trust Company of Chicago to furnish printed money order forms to its correspondent banks without charge. The question has not come up heretofore as to whether such a practice would be a payment of interest within the meaning of Section 19 of the Federal Reserve Act, and the Board has not had occasion to rule upon it. In order to constitute a payment of interest under Section 19 the action of the bank must constitute, first, a payment, and, second, compensation for the use of funds constituting a deposit. The information available on the practice of the American National Bank and Trust Company of Chicago is not sufficient to enable the Board to pass upon these questions and it appears that we have not been asked to do so. The Board therefore would expect to adhere to its policy of expressing its opinion only in case it were satisfied that it had been presented with all the facts and it appeared that there was need for such a ruling. In the circumstances we believe that it is best for you to exercise your discretion as to how to deal with any question which may arise as to this practice. If it seems to you that it is likely to result in the necessity at some future time of passing upon the question it might be well for you quietly to assemble all of the facts that would have a bearing upon the decision so that they may be available when called for."

Approved unanimously.

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Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This is to thank you for your letter of April 14, 1944, calling our attention to the confusing reference to Regulation Q contained in the Resolution adopted by the Rhode Island Bankers Association on April 6, 1944.

"For your information, there is enclosed a copy of a letter which we have written to the President of the Federal Reserve Bank of Boston through whom a copy of the Resolution was received by us."

Approved unanimously, together with the following letter to Mr. Paddock, President of the Federal Reserve Bank of Boston:

"With your letter of April 8, 1944, addressed to Governor Ransom, you enclosed, among other documents, a copy of a Resolution adopted by the Rhode Island Bankers Association on April 6, 1944, in opposition to the Brown and Maybank Bills.

"It has been brought to our attention that the Resolution referred to paragraph (f) of section I, and to paragraph (a) of section II of Regulation Q. As you know, paragraph (f) of section I, which specifically mentioned the absorption of exchange charges, never became a part of the Regulation. Also, paragraph (a) of section II now contains an additional sentence (not quoted by the Resolution of the Rhode Island Bankers Association) defining the term 'interest' as compensation for the use of funds constituting a deposit.

"It appears, therefore, that the Resolution inadvertently referred to Regulation Q in the form in which it existed prior to February 11, 1937; and it is possible that a reading of the Resolution by one not acquainted with the history of the matter might tend to cause additional confusion.

"In the circumstances, you may wish to consider bringing this matter to the attention of the Rhode Island Bankers Association in order that the point may be clarified."

Letter prepared pursuant to the action taken at the meeting of

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the Board on April 14, 1944, to Captain F. W. Hoover, General Manager of the Welfare and Recreational Association, Washington, D. C., reading as follows:

"Since the epidemic of 'flu' early in December last, the operations of the cafeterias in the Federal Reserve Building have been restricted to the serving of our own employees and the other occupants of this building, with the result that continued deficits have been experienced. The situation has been discussed with you by Mr. Nelson, with special reference to the management fee of your Association and possible modifications in the arrangement which would result in a material reduction in the cost to the Board of the services of your Association. While it appears that some reduction in the management fee might be effected, the adjustment which has been suggested does not seem to the Board to be adequate.

"Inasmuch as the volume of business has been reduced materially and it is necessary to curtail expenses of operation wherever possible, it is believed that the management of the cafeterias can be handled in the future by our own staff and that for this reason we should discontinue the service of your Association as manager.

"Therefore, in accordance with paragraph 12 of the Agreement between your Association and the Board of Governors dated February 4, 1943, notice is hereby given that such Agreement be terminated effective at the close of business May 31, 1944.

"We wish to take this opportunity to express our sincere appreciation of the assistance which has been rendered by the Association in connection with the establishment and operation of our cafeterias and private dining rooms and our regret that it has become necessary to curtail the expenses in this manner."

Approved unanimously.

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Letters prepared for the signature of Chairman Eccles in accordance with the action taken at the meeting of the Board on April 14, 1944, to Honorable Paul V. McNutt, Chairman of the War Manpower Commission, and Major General Lewis B. Hershey, Director of the Selective Service System, reading as follows:

"I am transmitting the request of the Federal Advisory Council of the Federal Reserve System that in framing policies and programs relating to civilian employment the essential contribution of the banking system to the economic life of the country and the war effort be recognized, and that in the hiring and retention of employees not eligible for military service, banks be regarded as an essential or 'war-supporting' activity.

"In discussions with the Board of Governors regarding this matter, the Federal Advisory Council emphasized that it is not asking any special consideration with respect to the deferment of bank employees from military service and that its request pertains solely to policies and programs relating to employment plans for civilian personnel and to the utilization of men not physically acceptable for military service.

"The Federal Advisory Council is a body created by law to confer with the Board and make recommendations on various matters pertaining to the banking system. It consists of a representative from each of the 12 Federal Reserve Districts.

"The matter has been discussed with the Treasury, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation, all of whom concur in the endorsement of the request.

"Thus, the Treasury and the three Federal Agencies charged with the supervision of banks, join in asking that banking be regarded as an essential or 'war-supporting' activity so far as civilian employment policies, as distinguished from calls for military service, are concerned.

"On behalf of the Board of Governors, I strongly urge that this request be granted."

Approved unanimously, together with letters to the members of the executive

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committee of the Federal Advisory Council, Honorable Daniel W. Bell, Under Secretary of the Treasury, Honorable Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, Honorable Preston Delano, Comptroller of the Currency, and the Presidents of the Federal Reserve Banks enclosing copies of the above letter for their information.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.