

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 19, 1944, at 3:30 p.m.

PRESENT: Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Dreibelbis, General Attorney

Mr. McKee referred to the letter sent to the Presidents of all the Federal Reserve Banks under confidential cover yesterday with which were transmitted copies of the draft of the holding company bill which had been prepared by the Board's staff. Mr. McKee raised for consideration the question whether copies of the draft should now be sent to members of the executive committee of the Federal Advisory Council or to all of the members of the Council, having in mind that the executive committee of the Council was to meet in Washington on June 7, 1944. He stated that the suggestion had been made by Mr. Fleming, a member of the executive committee of the Council, that it would be very helpful to the members of the committee if they could have ample time to study the draft.

Mr. Dreibelbis reported that Congressman Patman had asked him to prepare a statement which the Congressman might make when he introduced the bill in the House and which would go into the Congressional Record. Mr. Dreibelbis said that he had prepared a draft of such a statement but had not yet had an opportunity to discuss it with anyone. He read the draft, and it was understood that he would hand it to Mr. Patman as soon as possible and ascertain from him what his plans were with respect to the

5/19/44

-2-

introduction of the holding company bill.

Following a discussion and upon motion by Mr. McKee, it was voted unanimously to authorize Mr. Morrill, upon receipt of information that the bill was about to be introduced by Mr. Patman, to wire the Presidents of the Federal Reserve Banks accordingly and authorize them to bring the bill to the attention of the members of the Federal Advisory Council from their respective districts as well as to the attention of their respective boards of directors. It was understood that when the wire was sent Mr. Morrill would also write a letter, sending copies of the bill to the members of the Federal Advisory Council, along the general lines of the letter which was sent to the Presidents yesterday but stating when the bill was to be introduced by Congressman Patman.

At this point Mr. Dreibelbis withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 18, 1944, were approved unanimously.

Telegrams to Messrs. Treiber, McCreedy, and Clouse, Secretaries of the Federal Reserve Banks of New York, Philadelphia, and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by those Banks on May 18, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

5/19/44

-3-

Memorandum dated May 17, 1944, from Mr. Morrill submitting the resignation of Mrs. Ruth I. Bowes as a page in the Secretary's Office, to become effective as of the close of business on May 31, 1944, and recommending that the resignation be accepted as of that date with the understanding that appropriate deduction will be made from her salary to cover unearned leave.

The resignation was accepted as recommended.

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

"In accordance with the request contained in your letter of May 13, 1944, the Board approves the appointment of Robert Allison Cooper as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective and also as to the salary rate."

Approved unanimously.

Letter to the board of directors of "The Ottoville Bank Company", Ottoville, Ohio, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Ottoville Bank Company', Ottoville, Ohio, 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

5/19/44

-4-

"of Ohio, for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account mentioned on page 16 of the report of examination for membership and also the matter of the bank's providing for the right to require notice in connection with savings deposit withdrawals."

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of April 27, 1944, submitting the request of Central Trust Company Rochester, N. Y., Rochester, New York, for permission to establish a branch in Williamson, New York, in connection with a proposed transaction involving merger with The State Bank of Williamson, Williamson, New York, and the sale of \$100,000, par value, additional common stock for \$150,000.

"In view of your recommendation and the information submitted, the Board approves establishment and operation of a branch in Williamson, New York, by the Central Trust Company Rochester, N. Y., provided the proposed merger and increase in capital is effected substantially in conformity with the plan as submitted, the prior approval of the appropriate State authorities is obtained, and counsel for the Reserve Bank is to be satisfied as to the legal aspects of the transaction."

Approved unanimously.

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

"There is enclosed a copy of a letter received by the Board from Mr. D. W. Hogan, President of the Oklahoma City Clearing House Association, Oklahoma City, Oklahoma, regarding the question whether the practice of certain banks of offering to print forms of 'bank money orders' and supply them to their correspondents free of charge constitutes a payment of interest in violation of Regulation Q.

"The Board has not undertaken to determine whether a practice of this kind involves a payment of interest within the meaning of section 19 of the Federal Reserve Act. In order to constitute such a payment of interest, it must appear from the facts of a particular case, first, that there is a payment, and, second, that the payment is made as compensation for the use of funds constituting a deposit. The information contained in the enclosed letter

5/19/44

-5-

"from the Oklahoma City Clearing House Association is not sufficient to enable the Board to pass upon these questions and it does not appear that the Board has been specifically asked to do so. Accordingly, the Board would expect to adhere to its policy of expressing its opinion only in a specific case in which the Board is presented with all the facts and in which there appears to be need for a ruling.

"In the circumstances, it will be appreciated if you will reply to Mr. Hogan's letter in such manner as you may deem appropriate in the light of what has been said above; and we will be glad to receive a copy of any letter which you may decide to write Mr. Hogan in this connection. For your information, the practice referred to is one which has come to our attention on one or two occasions recently. The President of the Federal Reserve Bank of Chicago a short while ago wrote the Board after receiving a letter from a member bank in his District on this subject, and the Board's reply to him was substantially along the lines of this letter."

Approved unanimously.

Letter to Mr. Clerk, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"We appreciate very much the fact that you have undertaken to give us the benefit of your analysis of the technical aspects of the Thomas Bill, S. 1892, with special reference to the legal situations that arise in various States in connection with claims against closed banks.

"There is at present no substantial indication that action will be taken on the Thomas Bill at this session and very likely the question what action may be taken will turn upon broad considerations of public policy. If we should find it necessary to report upon the bill the points raised by you will be taken into consideration."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Miss Spuzak
Member.

Chester Morris
Secretary.