

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, May 30, 1944, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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 May 29, 1944, were approved unanimously.

Letter to the board of directors of "The Security State Bank", Comanche, Oklahoma, 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 Kansas City.

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

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

"This refers to your letter of May 25, 1944, and enclosures, requesting a ruling from the Board as to whether certain transactions which The Gramatan Company, Inc., an affiliate of The Gramatan National Bank and Trust Company, Bronxville, New

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"York, proposes to engage in would be prohibited by section 20 of the Banking Act of 1933.

"It is understood that The Gramatan Company, Inc. proposes to engage in the purchase and sale of F.H.A. Title II mortgages, the sale of conventional mortgages as distinguished from F.H.A. mortgages and the purchase and sale of commercial paper, such as notes secured by conditional sales contracts, chattel mortgages or notes secured under certain provisions of the Federal Housing Act. It is noted that the Comptroller of the Currency has advised the President of The Gramatan National Bank and Trust Company to the effect that the transactions described with respect to mortgages do not fall within the prohibition of section 20. It is also noted that you and counsel for your bank are of the opinion that the proposed transactions would not be prohibited by section 20 of the Banking Act of 1933.

"The Board concurs in your views on this matter and you may advise The Gramatan National Bank and Trust Company accordingly."

Approved unanimously.

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

"This refers to your letter of May 17, 1944, with further reference to two violations reported by your examiner in the report of examination of Bank of Smithfield, Smithfield, Virginia, as of March 13, 1944.

"As we do not appear to have received advice of any ruling by the Comptroller of the Currency regarding any security where the facts and circumstances are similar to those described by you as existing in the case of The Virginian Corporation Collateral Trust Notes, the matter is being referred to the Comptroller of the Currency. Upon receipt of his opinion regarding the eligibility of this issue for purchase by member banks under the provisions of section 5136, U.S.R.S., and the Comptroller's regulation issued thereunder, we shall advise you further regarding the matter."

Approved unanimously, together with the following letter to Honorable Preston Delano, Comptroller of the Currency:

"There is enclosed a copy of certain extracts from a letter dated May 17, 1944 received from Mr. Edw. A. Wayne, Vice

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"President, Federal Reserve Bank of Richmond, inquiring as to the eligibility of The Virginian Corporation Collateral Trust Notes for purchase by member banks under the provisions of the Investment Securities Regulation of the Comptroller of the Currency.

"As we do not appear to have received advice of any ruling by your office regarding any security where the facts and circumstances are similar to those as described by Mr. Wayne, it will be appreciated if you will advise us whether, in your opinion, the Collateral Trust Notes of The Virginian Corporation are eligible for purchase by member banks under the provisions of section 5136, U.S.R.S., and the Comptroller's regulation issued thereunder."

Letter to the Presidents of the Federal Reserve Banks of Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco, reading as follows:

"There is enclosed for your information a table showing the number and cost of telegrams sent over commercial wires by Federal Reserve Banks for the account of the Board of Governors during the period 1939-1943. The charges for these messages are billed against the Board by the telegraph companies at Government rates. For many years the Government rate was only 40 per cent of the commercial rate and the resulting savings to the System through the Board's absorbing the charges were of appreciable amount. In recent years, however, the Government rate has been increased, and since July 1, 1943, the Government rate has been 80 per cent of the commercial rate. It seems probable that much of the saving of only a little over \$200 a year on the basis of 1943 experience is offset by the cost of additional accounting and clerical work on the part of the Reserve Banks and the Board.

"It has apparently been the practice of some of the Reserve Banks to pay for telegraph messages of this nature and absorb the expense. In view of the relatively small saving to be gained under present conditions through having the Board billed for such messages, it is suggested that, if your Bank is still handling them in this manner, consideration be given to absorbing the cost directly."

Approved unanimously.

Memorandum dated May 27, 1944, from Mr. Smead, Director of the Division of Bank Operations, recommending that the Board approve the

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draft attached to the memorandum of Form F.R. 105 for use in obtaining reports of condition of State member banks on the forthcoming midyear call, and stating that the proposed form was the same as that used on December 31, 1943, with the exception that the usual midyear revision had been made in Schedule B in order to show the aggregate par values of each class of United States obligations, direct and guaranteed, held by the reporting bank.

Attached to the memorandum was a proposed letter to the Presidents of all the Federal Reserve Banks transmitting forms and instructions in connection with the next call and the following letter to Mr. Stuart A. Rice, Assistant Director in charge of the Division of Statistical Standards, Bureau of the Budget:

"There are enclosed for your files two copies of a draft of form F. R. 105 that we expect to have State member banks use in submitting reports of condition at the forthcoming mid-year call.

"The proposed form is the same as that used on December 31, 1943 except in Schedule B, where provision has again been made at the request of the Treasury for reporting the par value in addition to the book value of United States Government obligations. We understand that the Comptroller of the Currency expects to use a similar form in the forthcoming call.

"Your office assigned Budget Bureau No. 55-R004.2 to the form that was used on the December 31, 1943 call, and we plan to use this number on the proposed form."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morris
Secretary.

Approved:

Frank Johnson
Vice Chairman.