

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 26, 1944, at 3:00 p.m.

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

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

Further reference was made to the suggestion of the Presidents of the Federal Reserve Banks, which was submitted at the joint meeting with the Board on December 11, 1944, that the Board's Legal Division seek a ruling to the effect that the Fair Labor Standards Act is not applicable to the Federal Reserve Banks. Reference was also made to the memorandum addressed to the Board by Mr. Leonard, Director of the Division of Personnel Administration, and Mr. Vest under date of December 15, 1944, in which it was proposed that the question raised by the Presidents be discussed informally with representatives of the Wage and Hour Division, with the understanding that they would give to the representatives of the Division any information that might be desired as to the nature of the Federal Reserve Banks and the Federal Reserve System and as to the reasons why the law might not be applicable to the Reserve Banks.

Upon motion by Mr. Szymczak, Messrs.

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Leonard and Vest were requested to proceed in the manner proposed in their memorandum.

At this point Messrs. Dreibelbis and Vest withdrew from the meeting.

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 December 23, 1944, were approved unanimously.

Memorandum dated December 21, 1944, from Mr. Foulk, Fiscal Agent, recommending that an assessment of twenty-six hundredths of one per cent (.0026) of the total paid-in capital and surplus (sections 7 and 13b) of the Federal Reserve Banks as of the close of business December 31, 1944, be levied to cover the general expenses of the Board for the six months' period beginning January 1, 1945, and that the Federal Reserve Banks be instructed to pay in the assessment in two equal instalments on January 2 and March 1, 1945.

The following resolution levying an assessment in accordance with the Fiscal Agent's recommendation was adopted by unanimous vote:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides, among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the

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"salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning January 1, 1945, it is necessary that a fund equal to twenty-six hundredths of one per cent (.0026) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

"(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to twenty-six hundredths of one per cent (.0026) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business December 31, 1944.

"(2) Such assessment shall be paid by each Federal Reserve Bank in two equal instalments on January 2, 1945, and March 1, 1945, respectively.

"(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

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

"This refers to your letter of December 12, 1944, enclosing a copy of a letter from Mr. Sterling Newell, dated November 28, 1944, with reference to the statement

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"in the Board's letter of August 4, 1944, that the Board was approving the payment of the bill which had been submitted for services of Squire, Sanders & Dempsey, with the understanding that a clear definition of the relationship between the bank and the firm would be worked out with the firm and submitted to the Board for approval before any further bill for special services is submitted.

"We note your statement that the firm's services cover a wide field; that there is no certainty as to when or in what phase of bank operation they will be needed; and that it is extremely difficult to determine what services are covered by salary and what services are special and so subject to additional fees. We also note Mr. Newell's statement that there has never been much difficulty in reaching an understanding as to what constitutes routine services and that it seems to him that the procedure in the past has established a good working basis for discussions of cases in which the firm believes that special fees are merited.

"The Board recognizes the difficulty of making a detailed statement as to precisely what services will be considered routine and what services are to be regarded as special. On the other hand, however, it would seem to be practicable to have a general statement which would indicate, not in great detail but in a general way, the types or character of services that are covered by the retainer and the kinds of matters which require an extraordinary amount of time or effort or involve unusual circumstances and therefore justify additional compensation.

"The Board believes that, for the purpose of the record and in the interests of all parties concerned, it would be desirable to have a statement or agreement of this kind defining the relationship between the bank and the firm, even though it may be necessary to put it in rather general language. Accordingly, it is requested that you and your Counsel again consider this matter with a view to arriving at a more specific statement of the understanding."

Approved unanimously.

Letter to the Franchise Tax Commissioner, Sacramento, California,
reading as follows:

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"The Board of Governors has received, without covering letter, two copies of your Form 596 entitled 'Annual Information Return' for the calendar year 1944. The California tax law upon which this form is apparently based is of course not applicable to the Board of Governors since the Board is an independent establishment of the Government of the United States."

Approved unanimously.

Letter to the board of directors of "The Central Bank & Trust Company", Elkader, Iowa, stating that, subject to conditions of membership numbered 1 to 6 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Central State Bank & Trust Company', Elkader, Iowa, 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 Banking for the State of Iowa, for his information.

"It appears from the report of the trust department examination that there are no formal trust asset records, and that the department is not supervised by the directors or a trust committee. Even though the volume of trust business is relatively small, the affairs of the department should, of course, be administered and supervised in accordance with accepted standards and it is assumed

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"that appropriate suggestions in this connection will be made to the bank in the regular course of supervision."

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Ronald Ransom
Vice Chairman.