

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 29, 1944, at 3:30 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Hammond, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Smead, Director of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Vest, Assistant General Attorney

There were presented telegrams to Mr. Flanders, President of the Federal Reserve Bank of Boston, Messrs. Treiber and Clouse, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, Mr. Hall, Vice President of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco

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on December 26, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Minneapolis, and Kansas City on December 28, by the Federal Reserve Bank of Dallas on December 29, 1944, and by the Federal Reserve Bank of Boston on January 5, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Before this meeting the individual members of the Board had received copies of a memorandum written by Messrs. Leonard and Vest following their conference with the Solicitor and Assistant Solicitor of the Department of Labor on December 27, 1944, when they discussed the question whether the Fair Labor Standards Act is legally applicable to the Federal Reserve Banks. The memorandum stated that the impression had been received from the conference that in all probability any opinion rendered by the Wage and Hour Division on the basis of a request submitted by the Board would be to the effect that the Act was applicable to the Federal Reserve Banks.

Mr. Szymczak suggested that, inasmuch as Mr. Sproul, President of the Federal Reserve Bank of New York, was Chairman of the Presidents' Conference committee which had handled this matter, Mr. Leonard be asked to talk with him and ascertain his views in the light of the report as to the advisability of taking any further steps towards obtaining a formal ruling.

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This suggestion was agreed to.

Mr. Szymczak then moved that, in the absence of any objection by Mr. Sproul, the following letter be sent to Mr. Day, as Chairman of the Presidents' Conference, with copies to the Presidents of the other Federal Reserve Banks:

"Pursuant to the suggestion of the recent conference of Presidents, two members of the Board's staff have conferred with the Solicitor and one of the Assistant Solicitors of the Department of Labor regarding the question whether the Fair Labor Standards Act is legally applicable to the Federal Reserve Banks. There is attached hereto a memorandum of the discussion which was had with regard to the matter.

"As you will observe from the memorandum, the representatives of the Wage and Hour Division suggested that if an opinion in this matter is desired, a letter should be addressed to the Division requesting the opinion and submitting information as to the nature of the Federal Reserve Banks and their relationship to the Board of Governors. From the discussions of the matter with the representatives of the Wage and Hour Division, it appears unlikely that the opinion of the Division will hold that the Fair Labor Standards Act is not applicable to the Federal Reserve Banks. In fact, the indications are to the contrary.

"In the circumstances, it is the view of the Board that it would be preferable not to request an opinion of the Division and for the Federal Reserve Banks to proceed upon the assumption that if an opinion were rendered by the Division it would be that the Act is applicable.

"Copies of this letter are being sent to the Presidents of the other Federal Reserve Banks."

Mr. Szymczak's motion was put by the chair and carried unanimously.

At Mr. McKee's request there was read the following draft of a letter which had been prepared as a sample of letters that might be sent by the Board to the various associations and groups which aided

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in opposing the passage in the Senate in December of the Maybank bill relating to the absorption of exchange and collection charges:

"The Board of Governors wishes to express to you and through you to your membership its recognition of the fact that the opposition of your Association to the Maybank bill in the last Congress was a very important factor in preventing enactment of this measure. All who are interested in maintaining the principles of sound banking in the United States are indebted to your Association and to Senator Taft and Senator Burton of your State for helping to bring about defeat by a large majority of the move to make the Maybank bill an amendment to crop insurance legislation.

"The action of your Association was particularly helpful in impressing members of Congress with the unfair and discriminatory results that would flow from the enactment of the Maybank bill, legalizing the indirect payment of interest on demand deposits through the absorption of exchange by member banks. Senators Taft and Burton, by reason of their clear conception of the issues at stake and of the setback to sound banking principles which would have resulted had this legislation been enacted, were especially influential in preventing its passage."

Mr. McKee said that the reference in the letter to Senators would be changed to fit the facts in each case and that it would be his suggestion that the sending of the letters be approved by the Board with the understanding that they would be sent over the signature of Mr. Morrill as Secretary after the approval of the individual letters by Mr. Ransom, and that copies of the letters would be sent to the members of the Senate mentioned in the respective letters.

Upon motion by Mr. McKee his suggestion was approved unanimously.

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There was then presented a telegram just received from President Flanders of the Federal Reserve Bank of Boston stating that at the meeting of the board of directors of the Bank today the following were appointed, effective January 1, 1945, to new official positions in the Bank and that, subject to approval by the Board, their salaries were fixed for the period January 1, to April 30, 1945, at amounts shown below:

<u>Name</u>	<u>Previous Position</u>	<u>New Position</u>	<u>Salary Increase</u>	
			<u>From</u>	<u>To</u>
Roy F. VanAmringe	Assistant Cashier	Assistant Vice President	\$6,000	\$7,500
Earle O. Latham	Manager, Credit Department	Assistant Vice President	4,800	6,000
Frank C. Gilbody	Manager, Accounting Department	Assistant Cashier	4,740	5,500

The fact that the directors of the Boston Bank were contemplating the action set forth above had been brought to the attention of the members of the Board before this meeting and they were familiar with the circumstances surrounding the new appointments.

The salaries proposed for Messrs. VanAmringe, Latham, and Gilbody were approved for the period January 1 to April 30, 1945, and Mr. Morrill was requested to advise Mr. Flanders accordingly by wire.

Mr. McKee referred to the discussions which had taken place

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over an extended period between the Committee on Collections of the Federal Reserve Banks and the Bank Management Commission of the American Bankers Association for the purpose of working out a form of check routing symbols which would show the Federal Reserve Bank or branch to which a check on a particular commercial bank should be sent for collection and whether the check would be for immediate or deferred credit. He also said that the Bank Management Commission had taken the matter up with the Committee on Collections again with a view to taking steps to put the system into operation, and he asked Mr. Smead to state the question presented in that connection.

Mr. Smead referred to the memorandum which he had addressed to Messrs. Ransom and McKee on this subject under date of December 28, 1944, and said he had received a telegram from Mr. Attebery, Chairman of the System Committee on Collections, stating that Mr. McDonnell, Chairman of the Bank Management Commission, had called and indicated that the Commission was about ready to issue preliminary publicity looking toward the ultimate adoption of the routing symbol plan and asked if there were any changes which should be made in the plan before the publicity was issued. It was Mr. Attebery's thought, Mr. Smead said, that the Committee on Collections should meet before answering this question and Mr. Attebery had suggested February 5, 1945, as the date for the meeting. Mr. Smead went on to say that before agreeing to the meeting he would like to know whether, from the Board's standpoint,

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there was any reason why the American Bankers Association should not proceed at this time with the proposed publicity relating to the routing system plan.

In the discussion of the matter which ensued, Mr. Smead stated that the routing symbol would be placed only on checks of banks which were on the par list and would not go on nonpar checks which could not be collected through the Federal Reserve Banks. In this connection reference was made to the position taken by the proponents of the Brown-Maybank bill that the Board's ruling of September 1943 with respect to the absorption of exchange and collection charges was an effort to force all banks onto the par list, and the question was raised whether action by the American Bankers Association to put the routing symbol plan into effect would be interpreted as another step in that direction. During the discussion of this point Mr. McKee emphasized that the preliminary publicity and the steps necessary to put the plan into operation would be taken by the American Bankers Association and not by the Federal Reserve System.

At the conclusion of the discussion it was agreed that Mr. Smead should attend the proposed meeting of the System Committee on Collections and that the Board should have no objection to the Bank Management Commission of the American Bankers Association proceeding as proposed with respect to the routing symbol plan.

There was then presented a memorandum dated December 28,

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1944, from the Board's Personnel Committee recommending the redesignation of Colonel Jay Taylor as Chairman, and Mr. J. R. Parten as Deputy Chairman, of the Federal Reserve Bank of Dallas for the year 1945.

The memorandum stated that the matter had been discussed recently with Messrs. Taylor and Parten and that Colonel Taylor believed that he could fly to Dallas and attend the meetings of the board of directors of the Bank more regularly than he had been able to do in the past, and that in the circumstances the Personnel Committee felt it would be best to continue the present designations.

In accordance with the recommendation of the Personnel Committee (1) Colonel Taylor was redesignated as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Dallas for the year 1945, and his compensation as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks, i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors, and (2) Mr. Parten was reappointed as Deputy Chairman of the Federal Reserve Bank of Dallas for the year 1945.

At this point Messrs. Thurston, Smead, Dreibelbis, Leonard, 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:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 27, 1944, were approved unanimously.

Bond in the amount of \$10,000, executed under date of December 21, 1944, by Beardsley Ruml as Federal Reserve Agent at the Federal Reserve Bank of New York.

Approved unanimously, together with the following letter to Mr. Rice, Vice President of the Federal Reserve Bank of New York:

"This is to advise you that the Board on December 28, 1944, approved the bond which was executed on December 21, 1944, by Mr. Beardsley Ruml and the United States Fidelity and Guaranty Company, Baltimore, Maryland, covering Mr. Ruml as Federal Reserve Agent.

"In accordance with the advice contained in your letter of December 22, 1944, the Board today is notifying the bonding company that it is under no obligation on the bond which was executed by it on December 27, 1940, covering Mr. Ruml in the capacity above described, for any acts committed by him subsequent to December 28, 1944, the date upon which the new bond was approved by the Board. A copy of the letter addressed to the bonding company is enclosed for your records."

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of Chicago, involving a revision of the description of work for the position of Credit Analyst in the Credit Department, as submitted with your letter of December 22, 1944."

Approved unanimously.

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

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of San Francisco, involving a revision of the description of work for the position of Chief Examiner, as requested in your letter of December 18, 1944."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks reading as follows:

"Please furnish the Board with the usual annual reports on salary data as follows:

1. Summary report as to number and salaries of officers and employees as of December 31, 1944. (Form S-820 -a)
The figures should not reflect any changes in either the number or salaries of officers and employees that become effective January 1, 1945.
2. Summary of salaries of employees by salary groups. (Form S-820 -b)
3. List of employees as of January 1, 1945 (Form S-820 -c)
4. Brief statement as to supplemental compensation, if any, paid during the year 1944. (Form S-820 -d)
5. Brief statement as to the basis, extent, and practice with respect to the payment of overtime and the granting of compensatory leave for overtime. Please include a statement as to length of the regular work week, i.e., 40 hrs., 44 hrs., 48 hrs., etc.

"The reports referred to above should cover all employees of the Reserve Bank, including those whose salaries are reimbursable, but should not include any individuals whose salaries are advanced by the Reserve Bank as a matter of convenience for other agencies but who are not employees of the Bank."

Approved unanimously.

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Telegram to Mr. Flanders, President of the Federal Reserve Bank of Boston, reading as follows:

"Retel December 29, Board approves transfer from surplus to reserves for contingencies at end of year of \$1,051,663.16 to increase reserves for contingencies to \$4,000,000. Reserves for registered mail losses should be set up at end of this year in accordance with instructions appearing on pages 40 and 41 of Manual of Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements. Board notes that other segregations on books of the Bank of reserves for contingencies will be eliminated at end of year."

Approved unanimously.

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

"This refers to your letter of December 26, 1944, stating that your Bank has received 2,500 copies of Veterans Administration regulations relating to the guarantee of loans for the acquisition of farms and farm equipment and inquiring whether you are expected to distribute these regulations to banks in your district.

"In the Board's telegram to all Federal Reserve Banks dated November 22, it was stated that two more regulations, one relating to the guarantee of loans for the purchase of farms and farm equipment and the other relating to the guarantee of loans for business purposes, would be issued, that the Federal Reserve Banks would receive for distribution to commercial banks the same number of copies of such regulations as they received of regulations relating to the purchase and construction of homes, and that the forms in connection with such new regulations would not be issued and available for distribution for several weeks following issuance of the new regulations.

"There has been no change in this arrangement and it will be appreciated if your Bank will forward copies of the regulations and forms as received to the commercial banks in your district with advice that additional copies must be obtained from the Veterans Administration offices, the names and locations of which were included in our telegram of November 22, 1944."

Approved unanimously.

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Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your wires December 21 and 28. Board's telegram to all Reserve Banks dated November 22 stated that two more regulations, one relating to guarantee of loans for purchase of farms and farm equipment and other relating to guarantee of loans for business purposes, would be issued, that the Reserve Banks would receive for distribution to commercial banks the same number of copies of such regulations as they received of regulations relating to purchase and construction of homes, and that the forms in connection with such new regulations would not be issued and available for distribution for several weeks following issuance of new regulations. Board did not interpret discussion with Presidents as making any change in this arrangement, and Board will appreciate your Bank forwarding copies of regulations and forms as received to commercial banks in your district with advice that additional copies must be obtained from Veterans Administration offices, the names and locations of which were included in Board's wire November 22. Inasmuch as Reserve Banks have been asked to do nothing more than distribute copies of regulations and forms to banks, Board does not believe request for reimbursement for expenses incurred in this connection should be made."

Approved unanimously.

Memorandum dated December 28, 1944, from Mr. Hooff, Attorney, recommending that there be published in the January 1945 issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Purchase of Government Obligations by
Federal Reserve Banks
Amendment to Section 14(b) Extended

Partially Guaranteed Home Loans to Veterans

Foreign Funds Control
Treasury Department Releases

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Donald Hanson
Vice Chairman.