

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 5, 1945, at 10:30 a.m.

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

Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 4, 1945, were approved unanimously.

Telegrams to Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on January 2, the Federal Reserve Bank of Atlanta on January 3, and the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on January 4, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Reference is made to your letter of December 28, 1944, submitting the request of the New England Trust Company, Boston, Massachusetts, for approval, under the provisions of Section 24A of the Federal Reserve Act, of an investment of \$135,000 in property adjoining its head office to be used for expansion of its banking premises after expiration of an existing lease.

"In accordance with your recommendation the Board approves the investment as requested."

Approved unanimously.

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

"This refers to your letter of December 26, 1944, and accompanying correspondence, with respect to the Nevada Bank of Commerce, Elko, Nevada, acting as registrar of stocks and bonds without first having obtained the permission of the Board to exercise fiduciary powers.

"It is noted that the Bank of Pioche, Incorporated, had acted as registrar for bonds, notes and stock issued by Pioche Mines Consolidated, Incorporated, from March, 1944 until its merger with the Nevada Bank of Commerce on November 15, 1944, and that the latter bank desires to continue acting as registrar for that company but does not desire to act in any other fiduciary capacity. It is noted also that the Nevada Bank of Commerce has trust powers under the terms of its charter and the provisions of State law, and that its application to the Board for permission to act as registrar of stocks and bonds in this one instance is made to effect compliance with the condition of membership numbered one, which requires that except with the permission of the Board there shall be no change in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.

"In the circumstances, and in accordance with your recommendation, the Board will raise no objection to the Nevada Bank of Commerce, Elko, Nevada, acting as registrar

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"of stocks and bonds for Pioche Mines Consolidated, Incorporated, with the understanding that it will not engage further in the trust business without first obtaining the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

Telegrams to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, stating that, subject to the conditions set forth in the telegrams, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to "The First National Bank of Louisville" and "Trustees Under Trust Agreement with Reference to Stock of The First National Bank of Louisville, Ky. and Other Corporations, Dated July 1, 1925", both of Louisville, Kentucky, entitling such organizations to vote the stock which they own or control of the "St. Matthews National Bank", St. Matthews, Kentucky, at all meetings of shareholders of such bank, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to thirty days from the date of the telegram unless an extension of time is granted by the Board. The conditions contained in the telegrams upon which the permit was authorized were as follows: (1) That, prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385, except that (a) paragraph numbered 7 shall be modified in manner stated in Board's

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letter X-9540, (b) paragraphs numbered 1, 2, 4, and 5 shall be omitted and remaining numbered paragraphs appropriately renumbered, and (c) all lettered paragraphs and introductory sentence immediately preceding them shall be omitted; (2) that, prior to issuance of general voting permit authorized herein, applicant shall deliver to you in duplicate Exhibit L (Form P-3) executed by Campbell Company, Inc., Louisville, Kentucky, and Exhibit N (Form P-4) executed by applicant and consented to by Campbell Company, Inc., or furnish assurances satisfactory to you that it will deliver such exhibits to you within 30 days after issuance of general voting permit authorized herein; and (3) that the two general permits authorized by the Board be issued simultaneously.

Approved unanimously.

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

"For your information and guidance there is enclosed a copy of a memorandum, dated January 3, 1945, received from the Navy Department, signed by Commander Donald P. Welles, Chief of Finance Division, suggesting a definition of 'cancelled contract' to be included in loan agreements under the 1944 V guarantee agreement."

Approved unanimously.

Letter to Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

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"At the completion of the examination of the Federal Reserve Bank of Atlanta, made as of November 4, 1944, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President McLarin.

"The examiner referred to the use by the Atlanta Reserve Bank of safekeeping receipts issued by New York banks covering securities as collateral to advances to member banks in your district and stated that counsel for your bank had under study the question whether an effective 'deposit or pledge' as contemplated in the Federal Reserve Act is thereby accomplished. President McLarin has referred this matter to the Board, and a reply went forward to him under date of January 3, 1945.

"The report indicated that the head office and various branches have experienced difficult personnel problems, particularly the Jacksonville Branch. It is hoped that continuous efforts will be made in the solution of these problems and that considerable further improvement can be reported in the near future.

"The Board will appreciate advice that the foregoing and other matters referred to in the report have been considered by your board of directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously, with the understanding that Mr. Szymczak would talk personally with Mr. Neely and Mr. McLarin, President of the Federal Reserve Bank of Atlanta, about the situation at the Jacksonville Branch and request that effective steps be taken promptly to strengthen the official staff at the branch.

Memorandum dated December 30, 1944, from Mr. Paulger, Director of the Division of Examinations, submitting drafts of letters to the following foreign banking corporations calling for the submission of reports of condition as of December 30, 1944:

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Bankers Company of New York	New York, N. Y.
International Banking Corporation	New York, N. Y.
French American Banking Corporation	New York, N. Y.
First of Boston International Corporation	Boston, Massachusetts
The Chase Bank	New York, N. Y.

The first four corporations operate under agreements made with the Board pursuant to the provisions of Section 25 of the Federal Reserve Act, while The Chase Bank was chartered by the Board under the provisions of Section 25(a) of the Act.

The five letters were approved unani-
mously.

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

"It is desired that annual reports on Form F.R. 437 for the year 1944 be obtained from Old National Corporation and Investment and Securities Co., both of Spokane, Washington. Although these two holding company affiliates do not hold general voting permits, limited permits have been granted to them from time to time and the regular annual reports should be obtained, as in the past, in order that we may have full information regarding their activities during 1944."

Approved unanimously.

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

"Under date of September 26, 1922 (St. 3057), the Board authorized the discontinuance or modification of certain reports submitted by the Federal Reserve Banks. Reference was made on page 3 of that letter to the minimum information which the Board desired to have shown on BD 4 schedules from which it will be noted that the name and location of the payer and the names of endorsers were no longer needed. Shortly thereafter a few of the Banks

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"revised their BD 4 schedules, and by eliminating certain information previously required reduced the size of their forms, in some cases to 8-1/2 x 13 inches, while others made no substantial changes, with the result that there has been for many years a considerable variance in the type of information reported and in the size of the schedules. Since member banks are again borrowing at the Federal Reserve Banks in some volume, it seems appropriate to restate the minimum information which it is desired to have reported on the BD 4 schedules, as follows:

1. Schedule number and date (upper right hand corner)
2. Name and location of Bank
3. Number of the item
4. Amount
5. Number of days to maturity, or maturity date
6. Description of collateral (In case of Governments indicate whether bonds, notes, certificates, or bills)
7. Reserve Bank rate

"There is, of course, no objection to the inclusion on the schedules of any additional information which a Bank wants for its own purposes.

"Generally, the Banks have been sending in these schedules daily but a few, in the interest of paper conservation, have been showing two or three days' operations on one sheet, properly identified as to date. In this connection, and in view of the continuing paper shortage, it will be agreeable to the Board if the BD 4 schedules are sent in weekly.

"Some of the Banks have followed the practice of accompanying their schedules with an additional sheet in the form of a recapitulation and some type in or stamp on the schedules a statement to the effect that such loans are secured by eligible collateral in accordance with section 13 of the Act. Neither the recapitulation nor the certification is required by the Board."

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

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"This refers to your letter of December 27, 1944, with enclosures, regarding the maximum rate of interest payable on postal savings deposits by postal savings authorities in the State of Mississippi. It is understood that at present the rate of interest being paid by postal savings authorities on such deposits in that State is 2 per cent, whereas the maximum rate which may be paid on savings deposits by State banks in Mississippi is 1 per cent.

"As you know, section 758 of Title 39 of the United States Code provides that postal savings depositories shall not pay interest at a rate in excess of that which may lawfully be paid on savings deposits under regulations prescribed by the Board of Governors of the Federal Reserve System for member banks located in or nearest to the place where such a depository office is situated. The Board's Regulation Q provides that the rate of interest paid by a member bank upon a time or savings deposit shall not exceed the applicable maximum rate prescribed by the Board of Governors or the applicable maximum rate authorized by law to be paid upon such deposits by State banks or trust companies in the State in which such member bank is located, whichever may be less. This provision is in accordance with the requirements of the last sentence of section 24 of the Federal Reserve Act.

"The Proclamation issued by the State Bank Comptroller of Mississippi on December 1, 1943, a copy of which was enclosed with your letter, fixes the maximum rate of interest which may be paid by banks in Mississippi on savings accounts and on certificates of deposit at 1 per cent per annum. However, it is not clear from the Proclamation that banks in Mississippi may not lawfully pay a higher rate of interest on time deposits other than certificates of deposit. Moreover, the fifth paragraph of the Proclamation, prohibiting interest on 'daily balances' presumably is intended to relate to demand deposits; but since postal savings funds are specifically excepted it appears that no maximum rate of interest is prescribed for such funds even though deposited in banks on a time deposit basis. In this connection it is understood that Mississippi banks are actually paying interest at a rate greater than 1 per cent per annum on postal savings funds deposited with them on a time basis.

"In these circumstances, since a rate greater than 1 per cent per annum is apparently permissible for Mississippi

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"banks on certain types of deposits, the Board is not in a position to state that 1 per cent is the maximum rate which may be paid on time and savings deposits by banks or trust companies in Mississippi within the meaning of Regulation Q referred to above, and therefore cannot say that 1 per cent is the maximum rate which may lawfully be paid on savings deposits by member banks in Mississippi within the meaning of section 758 of Title 39 of the United States Code.

"Accordingly, if the above interpretation of the meaning of the Proclamation of the State Bank Comptroller is correct, it does not seem appropriate for the Board to take the matter up with the Post Office authorities in the circumstances. We will, of course, be glad to have you advise us further in this matter, particularly if our interpretation of the intent and effect of the Proclamation of the State Bank Comptroller as above given is incorrect."

Approved unanimously.

Letter to Mr. Robert LeFevre, Assistant to the Director, Procurement Division, Treasury Department, reading as follows:

"In compliance with the request contained in your letter of January 2, 1945 to Mr. Bethea, there are enclosed letters addressed to the American Telephone and Telegraph Company and the Western Union Company authorizing them to make available to your Public Utilities Division information concerning leased telephone and teletypewriter circuits, equipment and traffic in connection with service being furnished to the Federal Reserve System under contracts entered into by the Board of Governors with those companies.

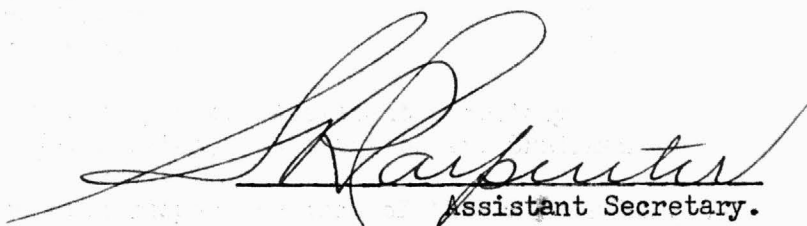
"You will note that certain minor changes have been made in the sample letters which you submitted, including a request that a copy of the information furnished to the Public Utilities Division of your office be forwarded to the Board's Division of Administrative Services. We trust that this will be satisfactory."

Approved unanimously.

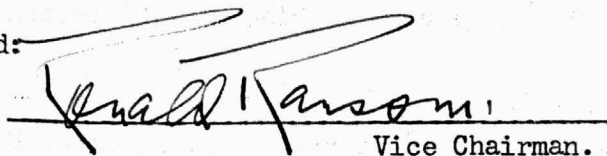
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Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Vice Chairman.