

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, February 19, 1945, at 2:30 p.m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, Assistant to the Chairman

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 February 17, 1945, were approved unani-  
mously.

Memorandum dated February 15, 1945, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that the basic salary of Mrs. Ruth S. Lamb, a clerk in that Division assigned as librarian of the Reserve Board Club Library, be increased from \$1,460 to \$1,560 per annum, effective March 1, 1945.

Approved unanimously.

Memorandum dated February 15, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Everett Hagen as an economist in that Division in order to accept a position with the Office of War Mobilization and Reconversion. The

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memorandum stated that some delay had been encountered in the Office of War Mobilization and Reconversion in clearing the necessary papers for Mr. Hagen's employment and that that office had asked if it would be possible for Mr. Hagen to be detailed to it on a reimbursable loan basis beginning February 19, 1945, for a period of approximately 30 days, by which time, if not before, all the necessary negotiations for his employment should be completed. The memorandum recommended that the request be granted subject to the receipt of an official request from that agency, and that Mr. Hagen's resignation as an employee of the Board be accepted effective as of the close of business on the day preceding the effective date of his employment by the Office of War Mobilization and Reconversion.

Approved unanimously.

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

"The Board of Governors approves the changes in the personnel classification plan of the Buffalo Branch, involving an increase in the maximum annual salary for the position of Charwoman, as requested in your letter of February 13, 1945."

Approved unanimously.

Letters to the Presidents of the Federal Reserve Banks of Boston, Cleveland, Atlanta, Chicago, St. Louis, and Minneapolis stating that the Board had noted without objection the salaries paid to employees of the respective Banks as of January 1, 1945, as indicated

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in statements submitted with letters from the respective Banks. The letter to Mr. Young, President of the Federal Reserve Bank of Chicago, contained the following additional comment:

"As requested in Mr. Meyer's letter of February 9, 1945, the Board also approves for the period ending December 31, 1945, the payment of salary to Mr. George P. Slichter as General Man Senior in the Personnel Department, at the rate of \$4,000 per annum, which is \$500 in excess of the maximum established for this position under the personnel classification plan."

Approved unanimously.

Letter to the Presidents of the Federal Reserve Banks of Richmond, Atlanta, St. Louis, and Dallas reading as follows:

"Enclosed is a program for joint effort upon the parts of the various Federal Reserve Banks and the chief national bank examiners to enforce compliance with the Board's Regulation Q and Section 19 of the Federal Reserve Act in accordance with the Board's interpretation of September 1943.

"This program meets with the approval of the Comptroller of the Currency and it is contemplated that he will address letters to the national banks named in the enclosure on March 15, 1945. Accordingly it will be appreciated if, on the same date, you will address letters in the form enclosed to the State member banks in your district appearing on the list."

Approved unanimously, together with the enclosures mentioned in the letter, which were in the following form:

1. Program for Joint Effort to Enforce Compliance with Board's Regulation Q and Section 19 of the Federal Reserve Act in Accordance with Board's Interpretation:

"1. The Board and the Comptroller's office will exchange information concerning those national and member

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"State banks which, from available reports, it seems likely are violating the law under the Board's interpretation. From information now available it would seem that there are some 25 banks (State and national) in this category.

"2. Letters along the lines agreed upon in the attached draft would be addressed to the board of directors of each such bank, letters to national banks going out over the signature of the Comptroller of the Currency and letters to member State banks going out over the signature of the President of the Federal Reserve Bank of the district in which the addressee bank is located, it being stated that they are sent upon direction of the Board of Governors. Where there are State and national banks in the same town, the letters would be sent approximately simultaneously.

"3. Each agency would keep the other currently informed as to progress and developments in all cases.

"4. The President of a Federal Reserve Bank and the Chief National Bank Examiner of the same district would be expected to exchange information pertaining to their district in the same manner as is contemplated between the Board and the Comptroller's office.

"5. Letters are to be sent immediately to all of the banks on the attached list."

2. Draft of proposed letter to the banks:

"Section 19 of the Federal Reserve Act provides that 'No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand.'

"The same section also provides that 'the Board of Governors of the Federal Reserve System is authorized, for the purposes of this section ... to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof.'

"The Board of Governors, in the exercise of the obligation placed upon it by the Congress to determine what shall be deemed to be a payment of interest, has determined that absorption of exchange charges, if done for the purpose of acquiring or retaining deposits, is a payment of

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"interest. From the reports available to us there seems to be a reasonable likelihood that your bank is absorbing exchange for the purpose of acquiring or retaining deposits. If you do not believe that you are thus paying interest, contrary to law under the ruling of the Board of Governors, we suggest that, before a definite conclusion on the point is reached, you seek an opinion of your bank's counsel as to whether, in the light of the facts of your case, your absorption of exchange is for the purpose of acquiring or retaining deposits.

Your counsel will no doubt wish to refer to the case in which the Board of Governors of the Federal Reserve System rules that a payment of interest in violation of law occurred. It can be found at page 817 in the Federal Reserve Bulletin for September 1943. Whether or not the facts in the case of your bank are identical with those of that case, if your bank is absorbing exchange for the purpose of acquiring or retaining deposits, it would be a violation of the law. If your counsel should conclude that your absorption of exchange is not for the purpose of acquiring or retaining deposits, we ask that you furnish us with a copy of his opinion and supporting brief as promptly as possible.

"This letter is sent to you at the direction of the Board of Governors of the Federal Reserve System in pursuance of a general policy which has been adopted by the Comptroller of the Currency and the Board looking toward the enforcement of the provisions of Section 19 of the Federal Reserve Act."

3. List of the banks to which the letter was to be sent:

Fifth District

First National	Baltimore
Union Trust Company	Baltimore
Maryland Trust Company	Baltimore
Central National	Richmond

Sixth District

Commerce Union	Nashville
Third National	Nashville
American National	Nashville
Deposit Guaranty Bank & Trust Co.	Jackson
Capital National	Jackson

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Sixth District: (Continued)

Jackson State National  
 Hamilton National  
 American Bank & Trust Co.

Jackson  
 Chattanooga  
 Chattanooga

Eighth District

First National  
 Union and Planters  
 National Bank of Commerce  
 First National  
 Liberty National  
 Citizens - Fidelity  
 Louisville Trust  
 Lincoln Bank and Trust  
 W. B. Worthen  
 Commercial National  
 Peoples National  
 Union National  
 National Stockyards National Bank

Memphis  
 Memphis  
 Memphis  
 Louisville  
 Louisville  
 Louisville  
 Louisville  
 Louisville  
 Little Rock  
 Little Rock  
 Little Rock  
 Little Rock  
 National Stockyards

Eleventh District

Commercial National  
 First National  
 Continental-American Bank & Trust

Shreveport  
 Shreveport  
 Shreveport

Memorandum dated February 19, 1945, from Mr. Hooff, Attorney, recommending that there be published in the March 1945 issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Foreign Banking Corporations  
 Amendment to Regulation K

Margin Requirements for Purchasing Securities  
 Supplements to Regulations T and U

Consumer Credit  
 Amendment to Regulation W

Foreign Funds Control  
 Treasury Department Releases

Approved unanimously.

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Thereupon the meeting adjourned.

Roberta Morrie  
Secretary.

Approved:

W. S. ...  
Chairman.