

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 20, 1945, at 2:00 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 June 19, 1945, were approved unanimously.

Memorandum dated June 16, 1945, from Mr. Smead, Director of the Division of Bank Operations, recommending that John DeLaMater, Supervisor of Service Functions in that Division, be retained in active service on a month to month basis, for a period of not to exceed six months in the aggregate beginning July 1, 1945, with no change in his present basic salary at the rate of \$4,000 per annum and with the continued understanding that payment of his retirement allowance will be suspended until his employment is terminated.

Approved unanimously.

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

6/20/45

-2-

"This refers to your letter of June 1, 1945, enclosing a certificate setting forth the increases which your Bank proposes to make in the salaries of employees in the positions of Guardsman, Sergeant, Second Lieutenant, Registered Mail Convoy, Bank Messenger, and Chauffeur-Guard.

"It is noted that the proposed increases are within the maximum salaries for such positions covered by certificates approved February 17, 1945 and March 13, 1945 which were transmitted to the War Labor Board. In the circumstances, it would seem that the proposed increases are in order."

Approved unanimously.

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

"Reference is made to your letter of June 13, 1945, submitting the request of the Pan American Bank of Miami, Miami, Florida, for extension of the time within which it may accomplish membership in the Federal Reserve System.

"In view of the reasons set forth by the bank, and in accordance with your recommendation, the Board extends to November 1, 1945, the time within which the Pan American Bank of Miami may accomplish membership."

Approved unanimously.

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

"Reference is made to your letter of June 8, 1945, submitting the request of The Merrill Trust Company, Bangor, Maine, for approval of the proposed purchase of assets and assumption of deposit liabilities of the National Bank of Calais, Calais, Maine, and the establishment of a branch in Calais in the quarters now occupied by the national bank. It is understood that approval of the Bank Commissioner of the State of Maine has been obtained.

"In accordance with your recommendation, the Board of Governors will interpose no objection to completion

6/20/45

-3-

"of the transaction involving the acquisition of assets and assumption of deposit liabilities of the National Bank of Calais by The Merrill Trust Company substantially as proposed, and the Board also approves the establishment and operation of a branch in Calais by the Trust Company, provided counsel for the Reserve Bank will review all steps taken to establish the branch and satisfy himself as to the legality thereof."

Approved unanimously.

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

"Reference is made to your letter of June 12, 1945, submitting for the consideration of the Board the proposal of the Curwensville State Bank, Curwensville, Pennsylvania, to purchase the acceptable assets and assume the deposit liabilities, amounting to approximately \$960,000, of its local competitor, the Curwensville National Bank.

"On the basis of the information submitted, which included recent reports of examination of both banks by your examiners, the Board concurs in your conclusion that the proposed transaction will not result in any change in the general character of the business of the Curwensville State Bank nor in the scope of the powers exercised by it within the meaning of condition of membership numbered 1 applicable to the State member bank and will interpose no objection to completion of the transaction substantially as proposed. It has been noted that in connection with the absorption the State member bank is to sell \$50,000 additional common stock at a premium of \$25,000, and that it will acquire only such assets from the national bank as have been classed as acceptable by an examiner for the Reserve Bank; and it is assumed that counsel for the Reserve Bank will review the steps taken in the transaction and satisfy himself as to the legality thereof."

Approved unanimously.

6/20/45

-4-

Under date of June 19, 1945, a wire was sent to the Presidents of the Federal Reserve Banks stating that the Presidents' Conference had approved the following draft of letter (which had been prepared by Messrs. McKee, Morrill and Vest in accordance with the action taken at the meeting of the Board on June 8, 1945) to be used by the Federal Reserve Banks as a covering letter in connection with a proposed letter from the Board in the form of a statement concerning the absorption of exchange charges. The telegram stated that the plan which was being worked out contemplated that the Federal Reserve Bank letter would be signed by the President of the Bank and would be dated June 25, 1945, that the Board's statement would be dated June 22, 1945, and that the proposed Federal Reserve Bank letter was being wired in order to give the Reserve Banks adequate time to prepare it for mailing:

"Attached hereto is a statement of the Board of Governors of the Federal Reserve System under date of June 22, 1945, with respect to the absorption of exchange charges, which is self-explanatory.

"In accordance with an understanding between the Comptroller of the Currency, the Board of Governors, and the Federal Reserve Banks, applicable to all member banks, any member bank which absorbs exchange charges for depositors will be expected to keep an adequate record of such transactions, showing the amounts and dates thereof and the names of the depositors concerned.

"This record, in the case of State member banks, will be inspected by the examiners of the Federal Reserve Bank at the time of all future examinations after August 1, 1945. A similar letter is being sent to all national banks by the Comptroller of the Currency.

"Your cooperation in this matter will be appreciated."

The program which had been worked out by Mr. McKee with the

-5-

6/20/45

informal concurrence of the Comptroller of the Currency, and which he now proposed to put into effect immediately, contemplated (1) that a second wire would be sent tomorrow to the President of each Federal Reserve Bank stating that the Board was sending to the Bank today a sufficient number of copies of the Board's statement under date of June 22, 1945, to enable the Bank to supply all State member banks and the examiners and officers of the Federal Reserve Bank, that it was understood that the Federal Reserve Bank would transmit a copy of the statement to each State member bank with the covering letter over the signature of the President in the form contained in the wire of June 19, 1945, and that it was requested that the Federal Reserve Bank advise the Board by wire when that had been done and that a copy of the Bank's letter be sent to the Board for its records, (2) that tomorrow the following letter would be sent to the Comptroller of the Currency, and, (3) that on June 22, 1945, copies of the Board's statement would be sent to the Chairmen of the Federal Reserve Banks and to the members and secretary of the Federal Advisory Council. Mr. McKee had reported that he had not been able to discuss with Mr. Crowley the matter of cooperation by the Federal Deposit Insurance Corporation:

"In accordance with a telephone conversation with Mr. Robertson, we are sending you today 5,700 copies of the Board's statement under date of June 22, 1945 with respect to the absorption of exchange charges. We have sent to each Federal Reserve Bank a supply of copies sufficient for the State member banks in its District and its own examiners and officers. It is understood

6/20/45

-6-

"that each Federal Reserve Bank will transmit the Board's statement with a covering letter over the signature of the President of the Federal Reserve Bank, under date of June 25, 1945, in the following form:

'Attached hereto is a statement of the Board of Governors of the Federal Reserve System under date of June 22, 1945, with respect to the absorption of exchange charges, which is self-explanatory.

'In accordance with an understanding between the Comptroller of the Currency, the Board of Governors, and the Federal Reserve Banks, applicable to all member banks, any member bank which absorbs exchange charges for depositors will be expected to keep an adequate record of such transactions, showing the amounts and dates thereof and the names of the depositors concerned.

'This record, in the case of State member banks, will be inspected by the examiners of the Federal Reserve Bank at the time of all future examinations after August 1, 1945. A similar letter is being sent to all national banks by the Comptroller of the Currency.

'Your cooperation in this matter will be appreciated.'

"It is also my understanding that you will transmit a copy of the Board's statement to each National bank with a substantially similar letter over your signature under date of June 25, 1945.

"Since we have only informal copies of your letter, it will be appreciated if you will send us a record copy.

"If you should find that you need any additional copies of the Board's statement, we will be glad to be advised and will also be glad to help in any other way that we can."

The proposed statement of the Board was as follows:

"The Board of Governors of the Federal Reserve System wishes to invite your attention to the provision of the Federal Reserve Act prohibiting member banks of the Federal Reserve System from paying interest on demand deposits 'directly or indirectly, by any device whatsoever'.

6/20/45

-7-

"This provision authorizes the Board 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 provision and prevent evasions. The Board's Regulation 'Q' provides that 'within this regulation any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest'.

"In developing a program for the enforcement of this provision of the law with respect to cases involving the absorption of exchange charges, it has been pointed out that the discontinuance of the practice of absorbing such charges in order to conform to the law involves the question whether and to what extent trivial items may be disregarded and also the fixing of a period of time within which the banks concerned may adjust their practices and, if desirable, advise customers affected.

"It will be expected that no member bank in any case will utilize the absorption of exchange charges as a device for compensating a depositor for the use of funds in order to obtain or retain demand deposits, but the absorption of such charges in amounts aggregating not more than \$2.00 for any one depositor in any calendar month or in any other regularly established period of 30 days will be considered as trivial and will be disregarded, provided the bank keeps such records as the appropriate supervisory authority may require for reconciliation purposes. It should be clearly understood, however, that if it is ascertained that any member bank has engaged in the practice of absorbing exchange charges in amounts aggregating more than \$2.00 for any one depositor in any calendar month or in any other regularly established period of 30 days, it will be presumed that the law has been violated.

"The Board has also decided that adequate time for such adjustments as may be necessary or desirable in order to conform to this decision will be afforded by fixing August 1, 1945 as the date on and after which all member banks will be expected to comply with this provision of the law. The Comptroller of the Currency and the Board of Governors are in agreement that if after that date it is ascertained that any member bank, national or State, is absorbing exchange charges in violation of the law as explained herein, the measures of enforcement provided by law will be invoked.

6/20/45

-8-

"This letter is being sent to each member bank of the Federal Reserve System."

By unanimous vote, the arrangement proposed by Mr. McKee and the communications referred to above were approved.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. A. ...  
Chairman.