A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 18, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Thurston, Assistant to the Chairman

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

Memorandum dated July 16, 1945, from Mr. Smead, Director of the Division of Bank Operations, recommending that Mrs. Catherine Lee Benson be appointed as a clerk in that Division at a basic salary of $1,968 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination, with the understanding that Mrs. Benson will become a member of the Federal Reserve retirement system.

Approved unanimously.

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

"Receipt is acknowledged of your letter of July 12, advising that the directors had authorized, subject to the approval of the Board, a special contribution of $12,000 to the Retirement System on behalf of Mr. J. G. Fry, Vice President, in connection with his retirement September 1, 1945, such special
"contribution being in addition to the contribution of $6,252 to be made under the general authorization contained in the Board's letter S-741.

"The Board approves the contributions as authorized by your directors. This approval is given in view of the unusual circumstances in this case, and should not be regarded as a precedent for any other case."

Approved unanimously.

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

"The Board of Governors approves the designation of Dr. E. A. Kincaid as Vice President in charge of the Research Department of the Federal Reserve Bank of Richmond and payment of salary to him for the period July 16, 1945, through May 31, 1946, at the rate of $9,000 per annum, under the arrangement set forth in your letter of July 12, 1945.

"It is understood that Dr. Kincaid will retain his faculty connection with the University of Virginia, but will devote his entire time to the business of the Bank, except on Saturdays."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 12, 1945, the Board approves the appointment, effective August 1, 1945, of Fred L. Williamson as an assistant examiner for the Federal Reserve Bank of Atlanta at a salary rate of $3,600 per annum."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:
Reference is made to your letter of July 7, 1945, and to previous correspondence with your Bank dated May 2, May 11 and May 15, 1939, with respect to the Federal Reserve Banks making charges for holding in safekeeping securities pledged by nonmember banks as collateral to deposits of bankrupt estates under the provisions of Chapter VII of the amended Bankruptcy Act.

"It is stated in your letter that an analysis of the above mentioned matter indicates that your Bank has not made such charges since 1942; that amounts now due from six nonmember banks range from $7.50 to $50.50; and that the Directors authorized you to write to the Board of Governors requesting the waiver of these charges, first, because practically no work is involved in handling the securities, second, there will probably be no new such accounts, and, third, it would be poor public relations policy to write to the banks and ask them for service fees.

"In accordance with the recommendation of the Committee on Free Services of the Presidents' Conference, as amended and approved by the Presidents' Conference at its meeting in Washington on October 24-25, 1938, the Board approved the acceptance and holding in safekeeping of securities pledged as collateral to deposits of bankrupt estates under the provisions of Chapter VII of the amended Bankruptcy Act with the understanding, among other things, that when such securities are placed in safekeeping with the Federal Reserve Banks by nonmember banks, including nonmember clearing banks, the Reserve Banks would charge for their services at the rate of one-fortieth of one per cent of the face value of such securities, with a minimum charge of $2.50 and a maximum charge of $250 for each 12-month period.

"The Board's records indicate that all Federal Reserve Banks, except the Federal Reserve Bank of Chicago, made charges in connection with the above during 1944 or 1945. It appears, therefore, that all other Reserve Banks are following the recommendation of the Committee on Free Services, as amended and approved by the Presidents' Conference, and as approved by the Board of Governors. In the circumstances, the Board does not feel it would be well to make an exception and authorize your Bank to waive such charges for the future. If, however, there was no arrangement that charges would be made in the case of the six banks mentioned in your let-
"or if it would be embarrassing for your Bank to make the charges in these cases, the Board will offer no objection to the waiver of such charges covering the period up to date or until the end of the current month.

"Referring to the last paragraph of your letter, in the fall of 1938 the Board received inquiries from two Federal Reserve Banks with respect to the procedure which should be followed in holding securities in safekeeping under the provisions of the amended Bankruptcy Act and requested the Committee on Free Services to review the matter and advise whether, in the opinion of the Committee, any charge should be made by the Reserve Banks for holding in safekeeping collateral pledged either by member banks or nonmember banks. Our records indicate that the Committee requested the views of all Federal Reserve Banks and that in a letter dated September 2, 1938, your Bank replied it believed "these securities should be handled for member banks without charge but that nonmember banks should pay fee fully covering cost of service".

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of July 11, 1945, with further reference to the inquiry received from W. P. Moller, Inc., as to whether their portable pipe organ is a listed article under Regulation W. It would seem from the letter from Mr. Moller dated July 9, a copy of which you enclosed, that the organ should be classed as an electric organ in view of the fact that it is operated with magnets, there being apparently one magnet for each key of the keyboard and one magnet for each stop.

"However, as you point out, the size and design of the instrument is such that it would be suitable for use in only a few households, and this conclusion is borne out by the list enclosed with Mr. Moller's letter, which shows 85 installations of which only six appear to be in residences. In the circumstances, it
"is felt that the organ should not be regarded as being designed for household use."

Approved unanimously.


"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership. "It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Secretary.

Vice Chairman.