

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 8, 1945, at 10:30 a.m.

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

Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
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 November 7, 1945, were approved unani-
mously.

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

"In connection with the agreed procedure to be followed with respect to foreign missions, it was stated in the Board's letter of June 1, 1945, that the informal staff group referred to in the letter would be under the chairmanship of Mr. Thomas.

"Recently Mr. Burke Knapp, formerly of the Board's Division of Research and Statistics, returned to the employ of the Board as Special Assistant to the Chairman to work on matters arising in connection with the Chairman's membership on the National Advisory Council on International Monetary and Financial Problems created by the Bretton Woods Agreements Act. It has been suggested that, because of the other demands made on Mr. Thomas' time, he be relieved as chairman of the staff group and that Mr. Knapp be asked to serve as chairman in his stead. The Board

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"of Governors approves this change, and it will be appreciated if you will advise if it is agreeable to you."

Approved unanimously.

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 an increase in the maximum annual salary for the position of Janitor in the Cafeteria Department, as submitted with your letter of October 31, 1945."

Approved unanimously.

Letter to the board of directors of the "First Trust and Savings Bank," Galva, Iowa, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. The letter also contained the following special comment:

"The Board is prescribing the conditions of membership ordinarily prescribed for banks exercising fiduciary powers when they are admitted to membership, and it will not be necessary under condition of membership numbered 1 to obtain the permission of the Board before exercising such powers. It will be expected, of course, that when such business is undertaken, your bank will be equipped to handle it in a proper manner."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

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

"During the period between the enactment of the Banking Act of 1935 and the beginning of World War II, when member bank reserve balances were growing rapidly, there was a good deal of discussion at the Board's offices and in other quarters of the desirability of making some changes in the statutory member bank reserve requirements. The discussions at that time were concerned principally with possible ways and means of absorbing or controlling the tremendous volume of excess reserves resulting from the inflow of gold. Consideration was also given, however, to the possibility of working out a more rational and realistic basis for differentials in reserve requirements--perhaps without regard to the location of banks in central reserve cities, reserve cities, and nonreserve cities.

"While member banks now hold only a relatively small volume of excess reserves and the reserve problem is consequently somewhat different than it was a few years ago, the fundamental inequities in the method of determining required reserves probably are as much in need of correction now as they ever were in the past. This was brought out when the August 1, 1945 amendment to Regulation D and the termination of the reserve city designation of Savannah were under consideration, and the Board came to the conclusion that this might be an appropriate time to study the whole question of reserve requirements. In this connection, the Board's Division of Bank Operations has submitted a memorandum containing tentative proposals for changing reserve requirements by eliminating the distinction between central reserve, reserve, and nonreserve cities, establishing a higher requirement on interbank deposits than on other demand deposits, and including vault cash as part of the legal reserve. Pursuant to the statement made by Governor McKee at the recent Presidents' Conference, three copies of the memorandum outlining these proposals and of a memorandum by the Division of Research and Statistics commenting thereon are sent you herewith.

"The Board will appreciate it if you will let it have the benefit of your comments on the proposals and of any other suggestions or proposals which may have been developed at your Bank for improving the method of determining

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"required reserves. It may be that an entirely different approach to the reserve problem would be more effective from an equitable and credit standpoint. It has been suggested that, after the comments of the Reserve Banks have been summarized, copies of the summary should be furnished to the Board and the Reserve Banks and that consideration might later be given to the desirability of referring the matter to a System Committee for the purpose of making a thorough study of the subject and preparing definite proposals for legislation.

"You will recall that at the last meeting of the Presidents with the Board the question was raised whether there should be any discussion of this matter with member banks and it was the general opinion that, inasmuch as the study was merely in a preliminary stage, it should not be taken up with the member banks or other parties at this time. Accordingly, it will be appreciated if, for the time being, you will see that this letter and its enclosures are held in confidence by the executive officers of your Bank and their assistants and not discussed with representatives of member or nonmember banks."

Approved unanimously.

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

"Enclosed for your information are two copies of a memorandum which the Securities & Exchange Commission filed on October 16, 1945, in the United States District Court for the Northern District of Ohio, in connection with the Commission's application for an injunction based on violations of Regulation T."

Approved unanimously.

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

"Referring to the Board's letter of September 13, 1945, with regard to a further broadening of the delegation of authority by the Navy Department to the Federal

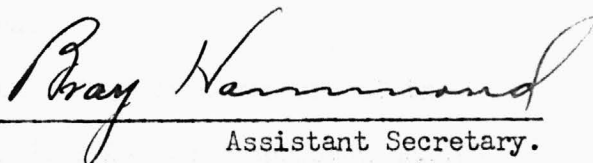
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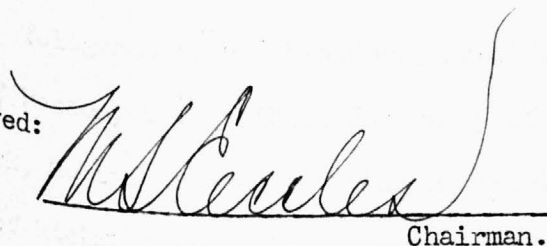
"Reserve Banks in connection with Regulation V loans, there are enclosed herewith for your information and guidance two memoranda signed by George W. Cook, Jr., Commander, USNR, Chief of the Finance Division of the Navy Department, one relating to further delegation of authority with respect to outstanding V-loans and the other with respect to T-loans."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.