

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 4, 1946, at 10:30 a.m.

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

Mr. Carpenter, 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 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 March 1, 1946, were approved unanimously.

Memorandum dated February 27, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Elisabeth E. Hinrichs be appointed as a Research Assistant in that Division, on a temporary indefinite basis, with salary at the rate of \$2,320 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Miss Hinrichs is a member of the Civil Service Retirement System and that she would continue in that System.

Approved unanimously.

3/4/46

-2-

Memorandum dated February 27, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Mrs. Frances G. Mobley be appointed as a Clerk in that Division, on a temporary indefinite basis, with salary at the rate of \$1,902 per annum, effective as of the date upon which she enters upon the performance of her duties, after having passed the usual physical examination. The memorandum also stated that Mrs. Mobley would become a member of the Federal Reserve Retirement System.

Approved unanimously.

Memorandum dated March 1, 1946, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Mrs. Louise A. Wrightson, Charwoman in that Division, and recommending that the resignation be accepted effective as of the close of business February 23, 1946.

The resignation was accepted
as recommended.

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

"The Board acknowledges with thanks your letter of February 20 with information regarding the ownership or control of American agencies or subsidiaries by foreign central banks or by foreign government owned or controlled commercial banks. In accordance with your recommendation the Board interposes no objection to the continued maintenance of the New York agency of the Prague Credit Bank and the continued ownership by Comptoir National

3/4/46

-3-

"d'Escompte de Paris of fifty per cent of the capital stock of the French American Banking Corporation, until such time as you have been able to observe the effects, if any, in your market of the nationalization of the Czechoslovakian banks and the four large French deposit banks."

Approved unanimously.

Letter to Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, Treasury Department, Washington, D. C., reading as follows:

"In compliance with the request of the Secretary of the Treasury dated April 2, 1920, and with Assistant Secretary Taylor's letter of October 3, 1936, regarding the reporting of deficiencies, if any, in the reserves of the Federal Reserve Banks, this is to advise you that the aggregate reserves at each Federal Reserve Bank throughout the calendar year 1945 were ample at all times to cover the minimum reserve requirements of the Federal Reserve Act. In this connection, as has been explained informally to officials of the Treasury Department, there was an error of bookkeeping during the year with reference to the reserves of the Federal Reserve Bank of Boston which should be brought to your attention. The facts of this matter are briefly as follows:

"As the result of the quarterly reallocation in the System Open Market Account as of July 1, 1945, there was a substantial increase in the participation of the Federal Reserve Bank of Boston in this account; and payment made by the Bank on July 2 for the additional participation resulted in a corresponding decrease in the gold certificate reserves of the Federal Reserve Bank. For the reason hereafter explained, bookkeeping entries were not made at the time of such payment, as is normally the case, for the purpose of readjusting the distribution of the Federal Reserve Bank's available reserves against Federal Reserve notes and deposits; and consequently the gold certificate balance of the Federal Reserve Bank in the Inter-district Settlement Fund, i. e., all gold certificates of

3/4/46

-4-

"the Bank other than those pledged with the Federal Reserve Agent and those held in the gold redemption fund, was less than the amount required as reserves against deposits and continued so until September 11, 1945, when the amount of \$100,000,000 was withdrawn from the Gold Certificate Fund of the Federal Reserve Agent and deposited in the Interdistrict Settlement Fund. The amount by which the Bank's balance in the Interdistrict Settlement Fund was below the amount of its required reserves against deposits during the period from July 2 to September 10, both dates inclusive, ranged from \$40,942,000 to \$130,823,000, and averaged about \$81,000,000. Nevertheless, at all times during the entire period, the total gold certificate reserves of the Bank remained substantially in excess of the minimum legal requirement of 25 per cent against deposits and 25 per cent against Federal Reserve notes in actual circulation, as established by the Act of June 12, 1945.

"We are advised that failure to make bookkeeping entries at the proper time for the purpose of redistributing the Bank's available reserves against Federal Reserve notes and deposits resulted from a misapprehension as to the effect of the law on the part of the operating official in charge of this matter at the Federal Reserve Bank of Boston. Prior to June 12, 1945, as you know, the third paragraph of section 16 of the Federal Reserve Act required each Federal Reserve Bank to maintain reserves in gold certificates or lawful money of not less than 35 per cent against its deposits and reserves in gold certificates of not less than 40 per cent against its Federal Reserve notes in actual circulation. The Act of June 12, 1945, changed this provision so as to require a reserve of 25 per cent in gold certificates both against deposits and against Federal Reserve notes in actual circulation. The official at the Federal Reserve Bank of Boston understood that under this amendment to the law separate computations of the gold certificate reserves against Federal Reserve notes and against deposits was no longer required.

"After careful consideration of the circumstances as recited above, the Board of Governors has reached the conclusion that this is not a case of the kind which the law intended should be subject to the tax imposed by section 11(c) of the Federal Reserve Act."

Approved unanimously, together
with the following letter to the Presidents of all the Federal Reserve Banks:

3/4/46

-5-

"Pursuant to the request contained in the Board's letter X-9716 of October 12, 1936 (F.R.L.S.5881), it has been the practice of the Federal Reserve Banks to forward to the Division of Bookkeeping and Warrants, Treasury Department, with a copy to the Board, a certified statement at the end of each year with respect to deficiencies, if any, in their deposit reserves during the year.

"Since the Board, at the request of the Secretary of the Treasury, furnishes the Treasury Department each year with a statement relating to deficiencies in reserves of the Federal Reserve Banks, it is requested that in the future the above-mentioned statements be addressed to the Board. In the event that your Bank has a deficiency in deposit reserves a report on Form F.R. 420 should be submitted to the Division of Bookkeeping and Warrants of the Treasury Department promptly after the end of the month in which the deficiency occurred and the appropriate tax paid by credit to the Treasurer's General Account. Advice of such payment should accompany the report on Form F. R. 420 mailed to the Treasury, and a copy of the report should be forwarded to the Board.

"Enclosed is a supply of Form F. R. 420 (formerly St. 1252), revised to conform to the June 12, 1945, amendment to the Federal Reserve Act and the Board's letter S-865 of July 30, 1945, (F.R.L.S. 5800).

Letter to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the reappointment of Messrs. Wm. K. Norris, Jacob VanDyke, M. E. Finch, and G. A. Heuser as members of the Industrial Advisory Committee for the Eighth Federal Reserve District to serve for terms of one year each, beginning March 1, 1946, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of St. Louis, as reported in your letter of February 26, 1946.

"It is noted from your letter that, after the Committee has elected its officers for the ensuing year,

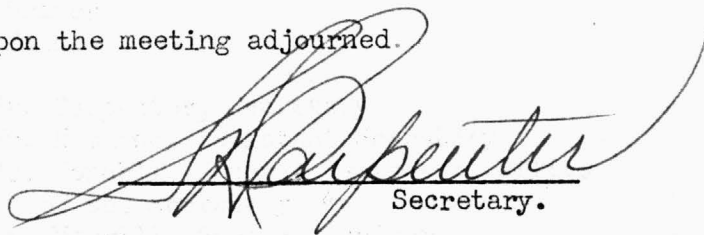
3/4/46

-6-

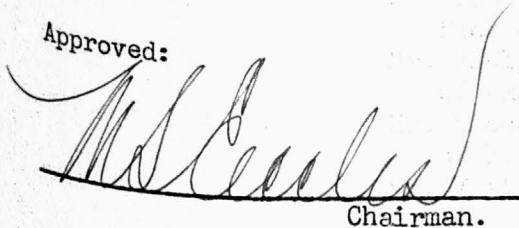
"the Board will be advised."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.