

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 5, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Hammond, Assistant Secretary  
Mr. Connell, General Assistant, Office  
of the Secretary  
Mr. Morrill, Special Adviser  
Mr. Smead, Director of the Division of  
Bank Operations  
Mr. Paulger, Director of the Division  
of Examinations  
Mr. Leonard, Director of the Division  
of Personnel Administration  
Mr. Vest, General Counsel

Mr. Ransom stated that, as the Board had been previously advised, the United States Court of Appeals for the District of Columbia on February 13, 1946, rendered an opinion reversing the decision of the District Court which had dismissed the suit filed by John Agnew and F. O. Fayerweather against the Board in which they requested a review of the order of the Board removing Messrs. Agnew and Fayerweather as directors of the Paterson National Bank of Paterson, New Jersey. Mr. Ransom said that yesterday he and Mr. Townsend, Assistant General Counsel, conferred with the Solicitor General and members of his staff and it was agreed that a request should be made of the Supreme Court of the United States for a writ of certiorari and that the Solicitor General had suggested that the Board write a letter to him asking that

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such a request be made. Mr. Ransom added that if that procedure were agreeable to the Board he would recommend that it be authorized.

Mr. Ransom's suggestion was approved by unanimous vote and it was understood that the letter to the Solicitor General would be sent over the signature of Chairman Eccles.

Mr. Ransom then stated that it was understood that the Senate Finance Committee would give consideration this week or next to bill H. R. 2948 which had been passed by the House and which would exempt from taxation the first \$1,440 payable in any calendar year as annuities under the Civil Service Retirement Act. He said that the question for consideration by the Board was whether it should suggest an amendment to the bill which would provide a similar exemption for retirement payments to all of the members of the Board's staff.

Chairman Eccles suggested that the Board should make a report on the bill in which it would take a firm position that exemption of special groups or income of particular kinds from taxation was unsound in principle, that, therefore, the Board was opposed to the bill, but that if it were the decision of the Congress to pass the legislation the bill should be amended to provide a similar exemption for payments under the retirement system of the Federal Reserve Banks.

Chairman Eccles' suggestion was agreed to unanimously and it was understood that Mr. Vest would prepare a draft of report for consideration by the Board.

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of the Board a memorandum dated February 19, 1946, from Mr. Szymczak submitting the request of the Federal Reserve Bank of New York for approval by the Board of a contribution by the Bank of \$10,000 toward the cost of erecting in a new location close to the Federal Reserve Bank a building for the new Beekman-Downtown Hospital. The letter dated February 8, 1946, from Mr. Sproul, President of the Reserve Bank, making the request outlined the use that would be made by the Bank of the hospital facilities and stated that the officers and directors of the Bank concurred in the view that the existing facilities, which would be replaced by the new hospital, were obsolete and inadequate, that the new hospital would be a direct benefit to the Bank and its employees, that the Bank could not properly avoid responsibility for the institution while using its benefits, and that, in view of the need for the institution, failure to make a contribution would constitute failure on the part of the Bank to meet its responsibility as a member of the community. The memorandum from Mr. Szymczak stated that in view of the nature of the request and the discussion of the recent request of the Federal Reserve Bank of St. Louis for authority to make a contribution in connection with the proposed Jefferson Memorial in St. Louis, the matter was being submitted without recommendation as it was believed the Board might want to discuss various aspects of the proposal before reaching a conclusion.

Chairman Eccles expressed the view that the Board should not authorize payments by Federal Reserve Banks for purposes of this kind

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to any further extent than could be made by departments and agencies of the Government with offices in Federal Reserve Bank and branch cities and Mr. Ransom proposed that before a decision was reached by the Board on the request of the New York Bank it be ascertained whether any payments to the hospital building fund were being made by Government offices located in downtown New York.

This suggestion was approved unanimously.

Attention was then directed to a memorandum addressed to the Board by Mr. Szymczak under date of February 25, 1946, which had been circulated among the members of the Board and which recommended approval of a request from the Federal Reserve Bank of Atlanta for authority to employ an architect and make the necessary contracts for the alteration of the head office building at a cost of not to exceed \$60,000. The alteration would fill in the existing light court in the building and would provide a total of approximately 2,000 square feet of additional space which would be used by two operating departments and the Bank's kitchen and cafeteria.

Mr. Szymczak stated that the Bank needed the additional space badly and that labor and materials for the construction were available if it were undertaken immediately.

The matter was discussed in the light of the Board's policy with respect to building activities of the Federal Reserve Banks at this time and the apparent high cost of the alteration in relation to the space

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that would be available, and a majority of the members of the Board were of the opinion that the work should not be undertaken at this time.

At the conclusion of the discussion, Mr. Szymczak moved that the Board approve the request of the Federal Reserve Bank of Atlanta. This motion was put by the Chair and lost, Mr. Szymczak voting "aye" and the other members of the Board voting "no".

Thereupon, it was agreed that the Atlanta Bank should be advised that the Board had carefully considered the conditions outlined in the memorandum accompanying the request from the Bank but felt that in view of the present shortage of building materials and conditions generally with respect to housing, as well as the high cost that would be involved for the relatively small amount of space that would be made available by the alteration, it should not be undertaken at this time.

Consideration was then given to certain of the matters discussed with the Presidents at the joint meeting of the Presidents and the Board on February 28, 1946. In connection with the suggestion that the System discontinue the issuance of Federal Reserve notes in denominations of \$500 and above, it was proposed at this meeting of the Board that it look into the question whether the discontinuance of notes of the large denominations would be effective as a part of a program for combating tax evasion and black market operations which would include a requirement that large denomination notes be turned in by a stated date with a certificate as to the owner of the notes and where he had obtained them. It was felt that if such a study indicated that a

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procedure of this kind would be desirable it could be discussed with the Treasury.

There was unanimous agreement by the members of the Board that Mr. Smead should be requested to study this matter and submit a report to the Board for consideration.

In connection with the suggestion of the Presidents that the Board review the general matter of salaries and retirement allowances with representatives of the boards of directors of the Federal Reserve Banks in addition to the ordinary reviews of official salaries with the Presidents of the Banks, it was stated that at the joint meeting with the Presidents on February 28 they were advised that the Board had finished consideration of the salaries of Presidents and First Vice Presidents, that as long as salary levels for top positions in the Government remained unchanged the Board could not go beyond the levels of salaries which it had approved for the officers of the Federal Reserve Banks, but that liberalization of the benefits provided by the retirement system of the Federal Reserve Banks was under consideration and the Banks would be advised in due course of the Board's views.

Unanimous approval was given to a suggestion by Mr. Szymczak that no further action was called for by the Board on this matter at the present time but that at the next meeting of the Chairmen's Conference the Chairmen should be advised of the statement submitted by the Presidents and the conclusions of the Board with respect to it.

There was agreement that for the reasons stated to the Presidents at the time

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of the joint meeting no further steps should be taken by the Board to obtain legislation which would liberalize existing law with respect to membership of banks in the Federal Reserve System.

There was a discussion of the statement of the Presidents that it would be extremely helpful if they could be kept informed of legislative developments affecting the System particularly with respect to the status of reorganization of Federal agencies and the status of the Wagner-Spence and holding company bills. At this meeting the question was raised whether the personal view of the Presidents should be requested with respect to the reorganization of the Federal bank supervisory agencies but it was agreed that this should not be done. Inasmuch as the Presidents met four or more times a year in Washington when they were advised of the status of important legislation and during the interim were informed by correspondence of anything that should be brought to their attention, it was felt that since the responsibility for recommending bank legislation rested with the Board and not with the Federal Reserve Banks, no change in the present procedure was called for.

It was stated at the meeting of the Board with the Presidents that the Presidents' Conference Committee on Bank and Public Relations would be ready to consult with representatives of the Board at any time in connection with the development of a program which would include motion pictures portraying the operations and functions of the System. At this meeting the Board gave consideration to the action it should



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take in connection with this matter.

After discussion, the Secretary was requested to advise the Chairman of the Presidents' Conference that Mr. Evans would be glad to confer with the Presidents' Conference Committee at any convenient time, it being understood that there would be such consultation with experts in the field as the Committee and Mr. Evans considered to be advisable looking toward the submission of a report to the Presidents and the Board on or before the next meeting of the Presidents' Conference with the Board in Washington.

Chairman Eccles said that he had sent to Mr. Clayton, Assistant Secretary of State, and to Mr. Vinson, Secretary of the Treasury, copies of the statement of the Presidents' Conference with respect to the British loan agreement, stating at the time that the Board would be glad to have any information that the two departments might have which could be sent to the Federal Reserve Banks so that they could be kept currently advised. Chairman Eccles also said that anything received by his office or the Board in connection with the loan agreement or the International Bank and monetary fund which should be sent to the Reserve Banks would be sent to them as a matter of routine.

Messrs. Smead, Paulger, Leonard, and Vest withdrew from the meeting at this point.

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 4, 1946, were approved unanimously.



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Memorandum dated February 26, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Robert W. Bean who has been on military leave, be reinstated in his position as an Economist in that Division, with salary at the rate of \$3,860 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated February 26, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the salary of Mrs. Maria L. Nikonenko, a Clerk in that Division, be increased from \$1,836 to \$2,034 per annum effective March 10, 1946.

Approved unanimously.

Memorandum dated February 26, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Leila M. Doebler, who has been on military leave, be reinstated in her position as a Clerk in that Division, with salary at the rate of \$2,298 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. C. S. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of your letter of February 23, 1946, advising that at the meeting of the Board of Directors held on February 21, Mr. Kenneth E. Haefele was appointed

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"Assistant Counsel and Assistant Cashier, Detroit Branch, with no change in salary other than that recommended in your letter of January 4, to become effective April 1. Accordingly, the Board of Governors approves the continuation of the payment of salary to Mr. Haefele in his new position at his present rate for the period February 21, 1946, to March 31, 1946, inclusive.

"As indicated in the Board's letter of January 15, you will be advised later as to the recommendations reported in your letter of January 4, for salaries for the new salary year."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 28, 1946, the Board approves the appointment of John L. Moore, Jr., at present an assistant examiner on military leave, as an examiner for the Federal Reserve Bank of Atlanta. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. H. R. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in your letter of March 1, 1946, the Board approves the designation of Roy M. Quisenberry as a special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

Letter to the President of each Federal Reserve Bank, reading as follows:

"The question has been raised as to whether the authorization given late last year to exceed, within specified limits, the maximum annual salaries under the personnel

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"classification plans applied only to the maximum salaries then in effect, or whether it is a continuing authorization applicable to new positions and to maximum salaries subsequently approved by the Board.

"The authorization was granted as a temporary measure for postwar adjustments pending a comprehensive revision of the personnel classification plans.

"For simplicity in administration, the authorization was intended to apply, within the specified limits, to all positions in the personnel classification plan until the comprehensive revision contemplated should become effective.

"Accordingly, any changes in the personnel classification plan submitted during the interim, either for the establishment of a new position or a change in maximum salary, should take this authorization into consideration."

Approved unanimously.

Letter to Mr. E. O. Douglas, 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 Federal Reserve Bank of New York, involving the establishment of two positions of Special Assistant, as submitted with your letter of February 27, 1946."

Approved unanimously.

Letter to Mr. McCreedy, Secretary of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the reappointments of Messrs. B. F. Mechling, John T. McDade, Keith Powlison, James M. Skinner, and Daniel H. Schultz as members of the Industrial Advisory Committee for the Third 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 Philadelphia, as reported in your letter of March 1, 1946."

Approved unanimously.

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

"Reference is made to your letter of February 18, 1946, submitting the request of the Harvard Trust Company, Cambridge, Massachusetts, for approval of the establishment of a branch at Waverley in the Town of Belmont, Massachusetts.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch at Waverley in the Town of Belmont, Massachusetts, by the Harvard Trust Company, Cambridge, Massachusetts, with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter to "The Trust Company of New Jersey," Jersey City, New Jersey, reading as follows:

"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.

Letter to the board of directors of the "Commercial State Bank of El Campo," El Campo, Texas, stating that, subject to conditions of membership numbered 1 to 3 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 Dallas.

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

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Letter to the board of directors of "The San Benito Bank & Trust Company," San Benito, Texas, 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 Dallas. The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to guarantee bonds, mortgages and other securities. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously for transmission through the Federal Reserve Bank of Dallas.

Letter to Mr. H. R. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the recommendation contained in your letter of February 25, 1946, the Board of Governors extends to April 15, 1946, the time within which the First State Bank of Corpus Christi, Corpus Christi, Texas, may accomplish membership."

Approved unanimously.

Telegram to Mr. Clerk, President of the Federal Reserve Bank of San Francisco, stating, that subject to conditions of membership

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numbered 1, 2, and 3, contained in the Board's Regulation H, the Board approves the application of the "Citizens Independent Bank," Longview, Washington, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

Approved unanimously.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"We understand from your letter of February 18, 1946, that it was your practice, when authorized by the Secretary of the Treasury to issue a license to a bank approved for membership, to advise the Secretary by wire when the license was issued and the bank admitted to membership. You assume that the Secretary of the Treasury still wishes wire advice when a bank is admitted to membership and licensed under the general license issued by the Secretary of the Treasury on December 31, 1945, applying to 'all State banks hereafter admitted to membership in the Federal Reserve System'.

"It is understood that the wire advice to the Secretary of the Treasury, to which you refer, was never required by the Secretary but was furnished by most, if not all, of the Federal Reserve Banks to indicate the action taken under the specific authorization in each instance. In the Board's opinion, the issuance of the general license removes the necessity for advising the Secretary of the Treasury by wire or letter as to the effective date of admission of a State bank to membership."

Approved unanimously.



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Telegram to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Relet February 21. In view your recommendation Board approves establishment and operation of a branch in San Carlos, California, by American Trust Company, San Francisco, California, with understanding that counsel for the Reserve Bank will review and satisfy himself as to legality of all steps taken to establish the branch."

Approved unanimously.

Letter to Mr. George D. Frye, Long Beach, California, reading as follows:

"This is in reply to your letter of February 6, 1946, concerning the recent changes in the Board's regulations having to do with margin requirements.

"The Board appreciates the problem set forth in your letter because it has been brought to its attention on numerous other occasions. When Regulation T, 'Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges', was amended in July 1945, the Board established the requirement for the first time that the proceeds of sales of securities in an undermargined account shall be used to the extent necessary to increase the margin to the minimum required by the regulation. At the same time, as a part of the overall anti-inflation program, the required margin was increased from 50 per cent to 75 per cent, with the result that many existing accounts were undermargined and subject to the new requirement. The purpose of this requirement was to prevent credit already obtained from being used to make new commitments which could not be made by a person opening a new margin account. This operated to restrain speculative activity and put the holders of old accounts, so far as new purchases were concerned, on the same basis as new customers.

"When action was taken by the Board in January 1946 to increase margins from 75 per cent to 100 per cent, the requirement was made applicable to accounts such as yours. However, the requirement is not retroactive in that it does not make necessary the liquidation of securities for the purpose of supplying the higher margin but permits the account to be carried on the basis on which it was contracted.



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"It is only when securities are withdrawn or other securities are substituted in the account that the requirement applies. It is felt that for the regulation to provide otherwise in the present circumstances would be inconsistent with the purpose of discouraging the use of borrowed money for stock market operations at a time of inflationary danger. To allow withdrawals and substitutions in an undermargined account would permit borrowed funds to be used again and again without changing the status of the account.

"The fact that the requirement was in Regulation T when the 75 per cent margin became effective and that there was wide discussion in the public press at that time and subsequent thereto with respect to the probability that the Board would act to increase the margins prescribed in the regulation apparently was not brought to your attention at the time you purchased the securities. However, the Board has given consideration to possible solutions which would relieve the situation set forth in your letter but has come to the conclusion that no practicable action could be taken which would be consistent with the present objectives of the regulation."

Approved unanimously.

Letter to Honorable J. Howard McGrath, Solicitor General of the Department of Justice, Washington, D. C., reading as follows:

"Re: Agnew and Fayerweather vs. Board of Governors of the Federal Reserve System, et al., No. 9102

"On February 13, 1946, the United States Court of Appeals for the District of Columbia rendered its opinion in the above-entitled case. The Court (Justice Edgerton dissenting) decided that the Board, in removing appellants as directors of The Paterson National Bank, Paterson, New Jersey, had misinterpreted section 32 of the Banking Act of 1933. Particularly, the Court held that appellants' employer, Eastman, Dillon & Co., was not 'primarily engaged' in the underwriting business, within the meaning of those words as used in section 32.

"The construction placed upon those words by the majority of the Court of Appeals is not only inconsistent with the Board's interpretation, uniformly applied for over ten years, but, in the opinion of the Board, its practical effect is to nullify section 32, which is a vital segment of the Federal bank regulatory scheme provided in the Banking Act of 1933. The Board feels that the dissenting opinion of Justice Edgerton correctly interprets the statute and thereby gives effect to the true Congressional intent.

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"Also involved in the case is an important jurisdictional question. The Board's authority to make the challenged order is conferred upon it by section 30 of the Banking Act of 1933. No express provision for any right of judicial review of section 30 orders is contained in the statute. That none should be implied may be inferred not only from the procedural requirement of the section, which necessitates a preliminary finding by the Comptroller of the Currency or the Federal Reserve Agent as a condition precedent to a hearing and decision by the Board, but particularly from the express language of the section, which prohibits the disclosure of such orders or findings upon which they are based to anyone 'except the director or officer involved and the directors of the bank involved, otherwise than in connection with proceedings for violation of this section'. It is, of course, obvious that any public inquiry into the reasons underlying such orders might very well critically affect the banks involved. The Court of Appeals has now ruled that such orders are reviewable in the courts. It is, therefore, of utmost importance to the Board that this point, now raised for the first time, should be finally decided by the Supreme Court.

"In view of these considerations, and the others pressed upon you by Governor Ransom and Mr. Townsend when they called upon you in respect to this matter, the Board requests that you petition the Supreme Court of the United States to grant a writ of certiorari to review the decision of the Court of Appeals in this case."

Approved unanimously.

Letter to the Banco de Mexico, S. A., Mexico, D. F. Mexico, reading as follows:

"Receipt is acknowledged of your letter of February 19 enclosing a copy of your previous letter to us of December 17 which we have no record of having received. We regret the accident that seems to have prevented a prompt reply to your inquiry, for we fear that it may have made you suppose that we felt little interest in the plan for a conference of central bank experts. We wish to assure you that our interest in this project has continued unabated ever since Mr. Urquidi and Mr. Hammond first discussed it during Mr. Urquidi's visit to Washington in August 1944. Because of this interest, we regret to learn that you have found it necessary to postpone the meeting until next July, though we can readily understand how the

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"pressure of other matters, as you say, makes postponement unavoidable.

"During the past few years we have repeatedly had occasion to make our facilities available to representatives of Latin American central banks for study with us, as in the case of Mr. Ortiz Mena and Mr. Pratt, and, on request, to send Dr. Triffin and other representatives to work with the central banking and monetary authorities of countries interested in the revision or reorganization of their monetary and central banking system. These experiences have impressed upon us the practical need of closer intercourse among the central banks of the Americas in general. Every country has something that others can learn of to their advantage, and neighboring countries can profit greatly from one another. We believe that the project which your Bank has in mind would furnish the best possible means of developing the contacts necessary for greater mutual helpfulness.

"In taking this occasion to renew the expression of our warm interest in your project and to renew our offer of readiness to cooperate in any way we can, we think it desirable to repeat our conviction that, as you yourselves say, the work of the conference should be confined to the technical level and should be carried forward without publicity and without official status. It should aim at an informal interchange of ideas that will be directly useful in the operation of the central banks concerned.

"We shall await with interest further information from you as to the progress of your plans."

Approved unanimously.

Memorandum dated February 5, 1946, from Mr. Smead recommending approval of the following letter to the Presidents of all the Federal Reserve Banks:

"In order to clarify and widen somewhat the scope of cases in which Federal Reserve Banks may waive penalties incurred by member banks for deficient reserves, the Board has prescribed the attached revised rules for uniform application by each Federal Reserve Bank. These rules supersede those contained in the Board's communications X-7411 of April 14, 1933, S-48 of November 19, 1937, and S-874 of October 5, 1945."

The rules referred to in the above letter read as follows:

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"RULES FOR UNIFORM APPLICATION BY FEDERAL RESERVE BANKS  
IN WAIVING PENALTIES FOR DEFICIENCIES IN RESERVES  
OF MEMBER BANKS

"Penalties may be assessed or not, in the discretion of the Federal Reserve Bank, in the following cases:

"A. When the penalty incurred by a member bank in a reserve computation period is not in excess of \$2.00.

"B. When a member bank is deficient in its reserves during the reserve computation period within which it became a member.

"C. When a member bank is deficient in reserves during a reserve computation period ending on a Sunday or a holiday, to the extent that the deficiency results from a change in deposits on the last business day of the period and an accompanying increase in required reserves on such Sunday or holiday and is offset by excess reserves during the immediately following reserve computation period.

"D. When, for the first time within two years, a member bank has a deficiency in its reserves which does not come within any one of the above three classes, and such deficiency does not exceed two per cent of its required reserves.

"E. When, before the assessment of a penalty for a deficiency in the reserves of a member bank, it is placed in receivership or liquidation.

"In all cases other than those described above, penalties incurred by a member bank for deficiencies in its reserves shall be assessed unless the Board of Governors of the Federal Reserve System, after a review of the facts of the case and the recommendation of the Federal Reserve Bank, authorizes the Federal Reserve Bank not to make the assessment."

Approved unanimously, together with a further suggestion contained in Mr. Smead's memorandum that the Division of Examinations be asked to have its examiner in charge include in reports of examination of Federal Reserve Banks a brief report and comment on each waiver of a penalty under the provisions of paragraph D of the revised rules.

Telegram to Mr. Pollard Turman, General Counsel of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of March 2, Vest has made appointment to see Colonel Craven or, in his absence, Mr. A. B. Dunham, of Federal Public Housing Authority, at 10 A.M.,

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"Monday, March 11, for discussion of acquisition of Jacksonville leases at future date. Board understands that you will also probably discuss purchase price of leases, including fact that any savings effected are to be shared with present owners of property. Vest expects to accompany you, if possible, in accordance with your request."

Approved unanimously.

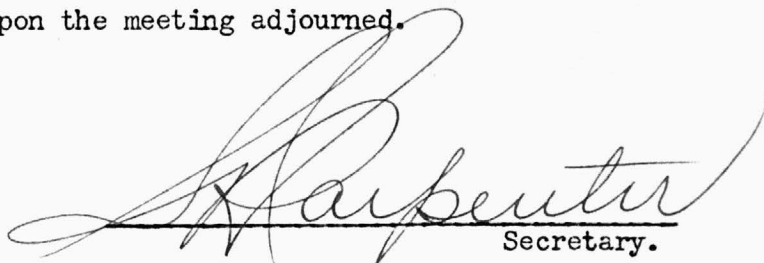
Letter to Mr. P. L. Goldsborough, Director of the Federal Deposit Insurance Corporation, reading as follows:

"In accordance with the request contained in your letter of February 21, 1946, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of subsection (k)(2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Alpena Savings Bank, Alpena, Michigan, in connection with its application for continuation of insurance after withdrawal from membership in the Federal Reserve System.

"There are no unfulfilled conditions nor incomplete corrective programs with respect to the member bank in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:   
Chairman.