

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 27, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Thurston, Assistant to the Chairman

As stated in the minutes of the meeting on May 8, 1946, Mr. Vardaman was absent on official business.

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 May 24, 1946, were approved unanimously.

Letter to the board of directors of "Mutual Bank and Trust Company", St. Louis, Missouri, stating that, subject to conditions of membership numbered 1 to 6 in the Board's Regulation H and the following special comment 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 St. Louis:

"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 act as surety. 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."

5/27/46

-2-

Approved unanimously, together with the following letter to Mr. Chester C. Davis, President of the Federal Reserve Bank of St. Louis:

"The Board of Governors of the Federal Reserve System approves the application of the Mutual Bank and Trust Company, St. Louis, Missouri, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Finance for the State of Missouri for his information."

Telegram to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring your letter May 20 Board will interpose no objection to payment of \$30,000 to lessee of restaurant on property recently acquired at Pittsburgh for cancellation of lease. This action taken in view of fact that considered judgment of your board of directors is that the lease should be canceled at this time in order to obtain new lease providing for cancelation upon 180 days' notice."

Approved unanimously.

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

"Thank you for your letter of May 21, 1946, suggesting that it would assist in the enforcement program for Regulation W if the National bank examination reports carried in the confidential section an item on observance of the regulation.

"This is a proposal we will want to work on as we agree that such a practice would do much to keep the regulation before the examiners. You will understand, of course, that it may be some time before we can expect any results from our discussions, particularly as it would be desirable to have the same thing done in the Federal Deposit Insurance Corporation's reports."

Approved unanimously.

5/27/46

-3-

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

"This refers to your letter of May 18, 1946, enclosing a copy of a letter received by your Bank from Mr. Earle Rowland, President, National Bank of South Carolina, Sumter, South Carolina, dated May 15, 1946, together with a copy of your reply, with respect to the suggestion made by Mr. Rowland that the Federal Reserve Banks arrange to collect for member banks checks drawn on nonpar banks. The suggestion apparently has been made with the thought that such an arrangement would serve to obviate the pyramiding of large bank balances with correspondent banks.

"Your reply to Mr. Rowland is substantially the same as that which the Board has made on several occasions in response to similar suggestions; and, accordingly, the Board believes that it is unnecessary to add anything further to your letter. As indicated in your letter, the proposed arrangement would not be possible without an amendment to the law, in view of the prohibition against the payment of any exchange charges by the Federal Reserve Banks.

"In this connection it might be mentioned that, not only did the Attorney General in 1918 express the opinion that checks drawn on nonpar banks cannot be collected through Federal Reserve Banks, but the courts have likewise held that, under the law, a Federal Reserve Bank cannot pay an exchange charge on a check drawn on a nonpar bank even though the Reserve Bank is not the owner of a check but has received it only for collection. This was the position taken in the case of Pascagoula National Bank v. Federal Reserve Bank of Atlanta, 11 Fed.(2d) 866 (C.C.A. 5th 1926), cert. den., 271 U. S. 685."

Approved unanimously.

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

"Governor Szymczak has referred your letter of May 18 concerning Mr. Wallich to the Board. The Board sees no objection to the proposed arrangement which

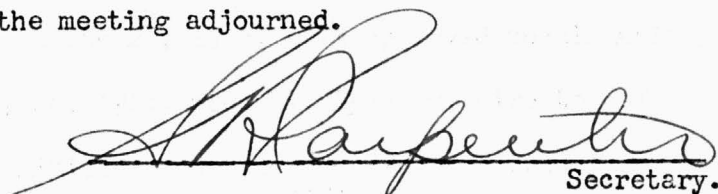
5/27/46

-4-

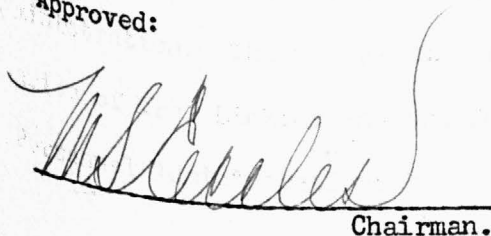
"would continue the effective assistance that Mr. Triffin of the Board's staff and Mr. Wallich have already given to the Dominican Government. As you undoubtedly know, Mr. Troncoso, Governor of the Reserve Bank of the Dominican Republic, with whom these men have worked most closely on the Dominican monetary and banking project, will be in Washington toward the end of this month. The Board believes that it would be desirable for Mr. Wallich to come to Washington for a few days at that time so that the present status of the Dominican project can be discussed with members of the staff of the Board, the State Department, and the Treasury; and so that advantage can be taken of Mr. Troncoso's presence to learn his views on some of the unsettled questions."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.