Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, August 5, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Evans
Mr. Vardaman
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Memorandum dated August 1, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Monica F. Jones as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,168.28 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. Jones was a member of the Civil Service retirement system and would remain in that system.

Approved unanimously.

Memorandum dated August 5, 1947, from Mr. Young, Assistant Director of the Division of Research and Statistics, recommending that the resignation of Miss Phyllis Bramlet, Secretary to Mr. Thomas, be accepted to be effective, in accordance with her request, at the close of business August 8, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.
Letter to Mr. 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 Buffalo Branch consisting of the abolition of the Savings Bond Redemption Division, as submitted with your letter of August 1, 1947."

Approved unanimously.

Letter to Mr. Meyer, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves, effective July 1, 1947, the changes in the personnel classification plan of the Federal Reserve Bank of Chicago consisting of increases in the maximum annual salaries for the positions of Janitor, Charwoman, Elevator Starter, Elevator Operator, Split Watch Operator and Assistant Starter, as submitted with your letter of August 1, 1947."

Approved unanimously.

Letter to Mr. Joseph J. Lawler, Third Assistant Postmaster General, Post Office Department, reading as follows:

"Reference is made to your letter of November 15, 1946, addressed to Mr. Smead, Director of the Board's Division of Bank Operations, in which you state that the Postal Money Order Committee of the American Bankers Association has, on several occasions in the past, appealed to your Department for a change in procedure with respect to the handling of postal money orders by the Federal Reserve Banks.

"You will recall that when the Post Office Department revised its regulations to provide a fee for cashing any money order when presented at an office other than that of issue or that on which drawn, the Federal Reserve Banks, as a general rule, began sending orders not drawn on or issued by post
offices in Federal Reserve Bank and Branch cities to member and par nonmember banks located at the points on which the orders were drawn or at which issued as cash items for collection. This practice did not prove entirely satisfactory for several reasons, namely, postal money orders, not being cash items, required hand presentation at the local post offices for payment; local postmasters did not always have sufficient funds on hand to make payment on presentation which necessitated leaving the money order for later payment although the presenting bank had to remit to the Federal Reserve Bank on day of receipt; the necessity in many instances of the presenting bank making a second call at the post office and the fact that in many cases the post offices were located at considerable distances from the presenting bank; and some banks declined to handle money orders unless they were permitted to make a charge for their services in presenting the items to local post offices for payment.

In view of these developments representatives of the Federal Reserve System conferred with officials of the Post Office Department at a meeting held in Washington on February 11, 1941, and informally on other occasions subsequent thereto, in an effort to work up some mutually satisfactory procedure for the handling of postal money orders through Federal Reserve Banks. The Post Office Department, however, was not agreeable to the proposals which representatives of the Federal Reserve System made at that time, and as a consequence the Federal Reserve Banks early in 1942 advised their member banks that postal money orders drawn on or issued by post offices other than those in Federal Reserve Bank and Branch cities and Washington, D. C., would not be accepted for collection either as cash or noncash items.

Your letter proposed that Federal Reserve Banks again accept for collection all money orders regardless of where drawn or where payable with the understanding that postmasters in Federal Reserve Bank and Branch cities would accept from Federal Reserve Banks and Branches without fee all orders drawn on 'non-par' and 'non-banking' towns and those which banks are unwilling to handle at par.

This proposal has been considered by the Federal Reserve Banks and the Board of Governors in the light of the
"procedure involved in the collection of postal money orders and it is evident that the proposal would not eliminate the above-mentioned objections insofar as those money orders are concerned that are issued by or payable at a post office in a point at which a member bank or a par-remitting nonmember bank is located, since the Federal Reserve Banks would have to send the orders to such banks for collection. While the acceptance of your proposal would give some relief to the larger banks doing a correspondent banking business, this relief would be obtained at the inconvenience of the banks to which the money orders would be sent by the Federal Reserve Banks for collection, and therefore it is felt that no change should be made in the present practice of the Federal Reserve Banks with respect to the receipt and handling of postal money orders.

"It is understood that the Post Office Department has given some consideration to an entirely new plan for the issuance and payment of postal money orders. Should the Department so desire, the Federal Reserve System will be glad to be of such assistance as it can in the working out of such a plan."

Approved unanimously.

Approved:

Chairman.