

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 14, 1936, at 10:00 a. m.

PRESENT: Mr. Broderick, Chairman pro tem
Mr. Szymczak
Mr. Ransom

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Memorandum dated April 13, 1936, from Mr. Morrill recommending the appointment of Mr. Sampson H. Bass as a Voucher Clerk in the Secretary's Office, with salary at the rate of \$1,800 per annum, effective as of the date upon which he enters upon the performance of his duties after having satisfactorily passed the usual physical examination. The memorandum also stated that, for the reasons outlined, it was believed that a salary of \$1,800 per annum would not be adequate in relation to the duties and responsibilities of the work which Mr. Bass would undertake or in relation to his previous experience and that, therefore, it was recommended that the proposed salary be treated as operative during a period of probation of two or three months, at the end of which time, if Mr. Bass measures up to the responsibilities of the position in a satisfactory manner, the Secretary's office will recommend an adjustment of his salary to a larger amount.

Approved unanimously.

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Memorandum dated April 10, 1936, from Mr. Morrill recommending the appointment of Mr. John M. Poundstone as a Messenger in the Board's Telegraph Office, with salary at the rate of \$840 per annum, effective as of the date upon which he enters upon the performance of his duties after having satisfactorily passed the usual physical examination.

Approved unanimously.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"The eighth paragraph of Section 10 of the Federal Reserve Act amends Section 324 of the revised statutes to read as follows: 'There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Board of Governors of the Federal Reserve System, of all Federal Reserve notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general direction of the Secretary of the Treasury'.

"At the time of the establishment of the Federal Reserve System a Federal Reserve Issue and Redemption Division was accordingly set up in the office of the Comptroller of the Currency to handle issues and redemptions of Federal Reserve notes. For a short time the employees of that division were carried on the payroll of the Comptroller of the Currency, and the Federal Reserve Board reimbursed the Comptroller's office for the cost of conducting the work of the division. On February 13, 1915, the Comptroller of the Treasury rendered an opinion to the effect that the Comptroller of the Currency had no statutory authority to employ the members of the Issue and Redemption Division and that such persons were to be regarded as employees of the Board. Pursuant to this opinion the employees of the division were transferred from the payroll of the Comptroller to the payroll of the Board and they have been carried on the payroll of the Board since that time.

"Under the procedure now followed the Federal Reserve Issue and Redemption Division, upon request of the Board of

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"Governors, places orders with the Bureau of Engraving and Printing for printing and shipping Federal Reserve notes to the Federal Reserve agents. The Issue and Redemption Division also counts the upper halves of unfit Federal Reserve notes forwarded to Washington for destruction, the lower halves of which are counted in the office of the Treasurer of the United States. The employees who count the lower halves of such notes in the office of the Treasurer of the United States are carried on the payroll of the Treasury Department, and the Treasury obtains reimbursement from the Federal Reserve banks for the expense of such work by charging the redemption fund of the various Reserve banks. To cover its expenditures in this connection the Treasury has a reimbursable appropriation for the fiscal year ending June 30, 1936, reading as follows: 'For personal services in the District of Columbia, in redeeming Federal Reserve and national currency, \$309,700, to be reimbursed by the Federal Reserve and national banks'.

"The Board understands that your office also has a reimbursable appropriation for handling certain work in connection with Federal Reserve and national currency. The appropriation for the fiscal year 1936 reads as follows: 'For personal services in the District of Columbia in connection with Federal Reserve and national currency, \$51,280, to be reimbursed by the Federal Reserve and national banks'. While it is understood that this appropriation was intended to cover the cost of retiring Federal Reserve bank notes, it is apparent that Congress intended certain work conducted by your office in connection with Federal Reserve currency to be on a reimbursable basis. It is also apparent that by changing the amount of the appropriation the language used would appropriately cover the cost of the Issue and Redemption Division, as well as other costs incurred by your office in connection with Federal Reserve currency.

"While the employees of this division are carried on the payroll of the Board and the Board approves the salary paid to each, the Board, as you know, has not attempted to exercise control over the work of the division since it feels that successful operation of the division can be obtained only by centralizing authority over it in one bureau or agency of the Government. The Board believes that, since the law provides that the bureau of the Comptroller of the Currency shall be charged with the execution of all laws passed by Congress relating to the issue and regulation of Federal Reserve notes, subject only to the general supervision of the Board of Governors and the general directions of the Secretary of the Treasury, the primary responsibility

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"for the proper conduct of the Federal Reserve Issue and Redemption Division should be definitely assumed by the Comptroller.

"At the present time it is understood that there are approximately 32 employees, most of whom are money counters, and that 6 of such employees, including the Chief of the Division, are subject to retirement effective May 1, 1936, under the rules and regulations of the Retirement System of the Federal Reserve banks. All of the other employees, except three who have membership in the Federal employees' retirement system antedating their employment in the Issue and Redemption Division, are members of the Retirement System of the Federal Reserve banks, and if transferred from the payroll of the Board of Governors of the Federal Reserve System they would automatically cease to be members of the Retirement System of the Federal Reserve banks. The Board is not advised whether or under what conditions they could become members of the retirement system for Federal employees, but in any case the Board does not feel that membership in the Retirement System of the Federal Reserve banks is sufficient reason for carrying such employees on its payroll.

"One of the suggestions which have been advanced in connection with the transfer of employees from the Board's payroll to the payroll of the Comptroller of the Currency is that the Board could, upon receipt of appropriate advice from your office, deposit to your credit with the Treasurer of the United States, from time to time, sufficient amounts to cover the expenses of the division in advance of actual payments by your office. This would perhaps enable your office to pay the salaries and other expenses of the Federal Reserve Issue and Redemption Division without the necessity of obtaining an appropriation, and it may be that authority contained in existing law is such as to enable your office to take care in this manner of the cost of conducting the Federal Reserve Issue and Redemption Division, at least pending the time that a reimbursable appropriation is obtained for the purpose.

"It will be appreciated if you will review this matter and advise the Board at your early convenience whether your office is agreeable to the transfer to your payroll of the employees of the Federal Reserve Issue and Redemption Division and, if so, as of what date such transfer can be accomplished."

Approved unanimously.

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Telegram to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Refer Young's letter April 7 Board extends to May 26, 1936, time within which 'The State Bank of St. Johns', St. Johns, Michigan, may accomplish membership in System. Please advise the bank accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

John Broderick
Chairman pro tem.