A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, February 12, 1938, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 11, 1938, were approved unanimously.

Letter to Mr. Newton, President of the Federal Reserve Bank of Atlanta, reading as follows:

"We have received your letter of January 26, 1938, containing suggestions regarding certain provisions of the proposed Cuban Monetary Law which might affect the Federal Reserve Bank of Atlanta.

"For your information, there are inclosed herewith a copy of a letter to Mr. Eduardo Durruthy, Secretaria de Hacienda, Habana, Cuba, and a copy of a supplemental memorandum relating to the proposed Monetary Law. It is hoped that this memorandum adequately covers the suggestions made in your letter."

Approved unanimously."
Letter to Dr. Herbert Feis, Adviser on International Economic Affairs, State Department, reading as follows:

"The Board of Governors has given consideration to the document enclosed with your letter of January 20. The plan described in the document is essentially one for expanding the market for American (and Canadian) securities abroad. The Board is aware that the proposed use of the nominee and depositary system to achieve this end is not an innovation. Similar methods are already being employed in various countries abroad. Nevertheless the Board cannot approve the establishment of a strong international organization designed to employ these instruments to the full throughout Europe with the purpose of encouraging foreign investment in American securities.

"The flow of foreign funds into our stock market in recent years has not proved to be constructive. The flow did not get under way in substantial volume until the spring of 1935 when the stock market advance had already begun, and it was checked when the stock market turned downwards at the end of March 1937. During this period foreigners put more than $1,000,000,000 on balance into American securities. This heavy foreign buying at a time when Americans themselves were optimistic tended to overstimulate the advance in stock prices. Subsequently when further investment of foreign funds might have been a stabilizing factor in the market, foreign investment here lost its vigor. The experiences of the late twenties were much the same. The fact is that foreign investors in the post-war period have accentuated stock market booms and have done little to check stock market declines. In view of the vital part played by capital markets in the modern business world this accentuation of speculative tendencies is a disorganizing influence in the entire economy.

"The Board is not impressed by the statement of the sponsors of the plan that the proposed organization would tend to isolate the effects of European trading. When foreign buying of American securities exceeds sales the excess purchases must be made on the American market; and it is these purchases, unmatched by foreign sales, that tend to be greatest in periods of speculative advance and to produce the most disturbing effects. The larger the European interest, the greater the adverse consequences are likely to be."
"In addition to their direct influence upon the American capital market, European operations in American securities have been the largest single factor in bringing gold to the United States in recent years. The inflow of gold has been on an unprecedented scale and has required the adoption of special measures by the Board and by the Treasury to prevent excess reserves of commercial banks from becoming dangerously enlarged. Further substantial movements of gold to this country, such as might be caused by a renewed flow of foreign capital into our markets, are to be deprecated. The proposed organization would further such undesirable developments.

"The Board appreciates the opportunity afforded it for an expression of its viewpoint on the proposed organization. Following the procedure initiated by the Securities and Exchange Commission copies of this letter are being transmitted to the Securities and Exchange Commission, the Treasury Department, and the Department of Commerce."

Approved unanimously.

Letter to Mr. Kennedy F. Rea, Clerk, Committee on Appropriations, United States Senate, reading as follows:

"Reference is made to your letter of February 8, 1938, to Chairman Eccles, stating that you have been requested by the Committee on Appropriations of the Senate to have us submit to the Committee a statement as to the amount of money appropriated for the calendar year 1937 expended by the Board of Governors of the Federal Reserve System for travel, and per diem in lieu of subsistence, connected with a trip or trips to foreign countries, by whom expended and the purpose of the trip or trips.

"While the expenses of the Board of Governors are not paid from appropriations by Congress but from semi-annual assessments made by the Board upon the Federal reserve banks in accordance with the provisions of the Federal Reserve Act, you are advised that the only expenditures by the Board in 1937 in connection with travel outside the continental United States were incurred when Assistant Federal Reserve Examiner Charles A. Strahorn was sent to Havana, Cuba, for the purpose of making an examination of the Havana Agency of the Federal Reserve Bank of Atlanta in connection with a regular examination of the Federal Reserve Bank of Atlanta,
"its branches, and agencies. Mr. Strahorn's transportation expenses for travel between the United States and Havana amounted to $34.10 and his per diem in lieu of subsistence while away from the United States amounted to $34.50, making a total of $68.60.

"It might also be mentioned that the Office of the Comptroller of the Currency under date of February 3, 1938, submitted to the Board for payment a statement in the amount of $1,259.68 covering the pro rata cost of an examination made for the Board during the latter part of 1937 of the Paris, France, branch of The Chase Bank, New York, New York, a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act. The examination was made for the Board by National Bank Examiners L. A. Jennings and T. T. Trepanier while they were abroad examining foreign branches of national banks. The amount referred to, of which $206.42 represents traveling expenses, is not to be absorbed by the Board of Governors but is to be reimbursed to it by The Chase Bank."

Approved unanimously.

Memorandum dated January 11, 1938, from Mr. Morrill submitting a draft of leave regulations proposed for adoption by the Board. The memorandum stated that the proposed regulations follow in general the Government regulations, promulgated in accordance with Public Act No. 471, 74th Congress, most of the differences being in the interests of simplicity and of adapting the regulations to meet the particular needs of the Board and certain of its past leave practices.

By unanimous vote the proposed leave regulations were approved and adopted in the following form, to take effect as of January 1, 1938:

PART I
ANNUAL LEAVE OF ABSENCE

Sec. 1. As used in these regulations:

(a) "Accumulated leave" means the unused annual leave not exceeding 60 days which has accrued during years prior
(b) "Current annual leave" means the leave authorized by these regulations for the current year.

c) "Current accrued leave" means the part of the current annual leave which bears the same ratio to the current annual leave that the expired part of the current year bears to the full year.

d) "Unaccrued leave" means the part of the current annual leave which bears the same ratio to the current annual leave as the unexpired part of the current year bears to the full year.

Sec. 2. Permanent employees who have been employed continuously for one year or more and who do not contemplate leaving the service during the current calendar year may be granted annual leave with pay at any time during such calendar year not in excess of 26 days, and in addition may be granted accumulated leave.

Sec. 3. Employees entering the service by original appointment or by reappointment may be granted annual leave with pay accruing at the rate of 2-1/6 days for each month of service rendered until the completion of one year's service. Any permanent employee who has served less than one year and who does not contemplate leaving the service during the current calendar year may be granted leave not to exceed the amount of the current annual leave. Such leave to be allowed at the discretion of the head of the division or office.

Sec. 4. Unaccrued leave may be granted only with the express understanding that, if such leave be not earned later during the calendar year, deduction shall be made for the unearned portion from any salary or other payment due the employee from the Board or he shall make an appropriate refund.

Sec. 5. An employee appointed by the Board to a permanent position immediately following his separation from a permanent position in another part of the government or in a Federal Reserve bank may at the time of appointment be credited with accumulated leave and charged with unaccrued leave advanced.

Sec. 6. An employee voluntarily separated from the service without prejudice during any calendar year may be granted all accumulated leave plus current accrued leave up to the date of separation.

Sec. 7. The date of discharge of an employee who is involuntarily separated from the service other than for
cause due to his own misconduct may be fixed to permit the allowance of all accumulated leave and current accrued leave.

Sec. 8. Leave may be granted at such time or times as the condition of the work of the division or office will permit.

Sec. 9. Annual leave shall not accrue during a period of leave without pay when such absence is continuous for 30 days or more in any calendar year.

Sec. 10. Leave without pay shall not be granted until all accumulated leave and current accrued leave allowable under these regulations is exhausted.

Sec. 11. Employees shall be charged with annual leave only for absence on their work days. Sundays, legal holidays, and holidays declared by executive order and non-work days established by administrative order in accordance with law, occurring within a period of annual leave, shall not be charged as annual leave.

Sec. 12. Any temporary employee may be granted leave at the rate of 2-1/2 days for each month of service.

Sec. 13. Any temporary employee who subsequently receives a permanent or probational appointment without a break in service may be granted annual leave at the rate of 2-1/2 days per month to the date of permanent appointment and thereafter at the rate of 2-1/6 days per month.

Sec. 14. The annual leave authorized by these regulations shall, except as to temporary employees, be recorded and administered on a calendar-year basis.

Sec. 15. Annual leave granted for less than one day shall be charged in periods of 15 minutes and multiples thereof. Annual leave granted for less than one day shall be charged in the ratio that the amount of annual leave granted bears to the number of work hours of the regular work day prevailing.

Sec. 16. Annual leave shall not be granted with pay at the beginning of a calendar year immediately following a period of absence in a non-pay status in the preceding year unless and until there shall have been a return to duty, at which time the leave may be granted retroactively. Leave without pay under any other circumstances may not later be converted into annual leave.

Sec. 17. If, by reason of the completion of the annual schedule of examinations before the end of the calendar year, an examiner or assistant examiner exceeds his accumulated and current annual leave, the Chief of the Division of Examinations may grant additional annual leave which shall be charged to and not exceed annual leave accruing in the first quarter of the succeeding calendar year.
Sec. 18. Applications for leave must be submitted in advance. Each employee will be charged with the leave granted to him on such application, unless request be made in writing and approved for cancelation or modification thereof to an extent not exceeding the unused leave.

PART II
SICK LEAVE OF ABSENCE

Sec. 1. Sick leave with pay may be granted to any employee when incapacitated for the performance of duties by sickness, injury, or pregnancy and confinement, or when some member of the immediate family of the employee is afflicted with a contagious disease and requires the care and attendance of the employee, or when, through exposure to contagious disease, the presence of the employee at his post of duty would jeopardize the health of others. Exposure to contagious diseases must be reported at once to the office to which the employee is attached, which office in turn shall immediately report such case to the office of the Secretary, who will cause an investigation to be made if necessary.

Sec. 2. Except as provided in Section 3 hereof any employee may be granted sick leave at the rate of 1-1/4 days a month, and if such leave is not used it shall accumulate: Provided, That the total accumulation shall not exceed 90 days. Sick leave accruing during any month of service shall be available at any time during the month.

Sec. 3. In cases of serious disability or ailments, and when the exigencies of the situation so require, the head of the division or office may grant sick leave with pay not in excess of 30 days in addition to the unused sick leave that has accumulated to the credit of an employee: Provided, That such advances shall not be made to any employee more than 3 times during any one calendar year; that every case of advanced sick leave shall be supported by the certificate of a registered practicing physician or other practitioner; that the total of such advances shall not exceed at any time 30 days beyond the accumulated sick leave; that a written report of such action with the reasons therefor shall be filed by the head of the division or office with the Secretary's office at the time when the leave is granted; and that such advances shall be charged against sick leave subsequently accumulating. Advance
sick leave may be granted in accordance with this section irrespective of whether the employee has unused annual leave to his credit.

Sec. 4. In the case of voluntary separation or removal for cause of an employee to whom sick leave has been advanced in an amount in excess of that accumulated, the employee shall refund the amount paid him for the period of such excess, or deduction therefor shall be made from any salary or other payment due him from the Board. This provision shall not apply in cases of death, retirement for age or disability, or reduction of force, or when an employee who is not eligible for retirement is unable to return to duty because of disability, evidence of which shall be supported by an acceptable certificate from a registered practicing physician or other practitioner which shall be filed in the Office of the Secretary.

Sec. 5. When an employee applies for sick leave in excess of the amount accumulated to his credit and in the opinion of the head of the division or office the circumstances do not justify an advance, the excess leave, if used, shall be charged against any unused annual leave of the employee, or, if there be no unused annual leave, the excess shall be charged as leave without pay, and such leave shall not thereafter be converted into either sick or annual leave subsequently accumulating.

Sec. 6. Sick leave shall not be advanced in an amount that would exceed the total that would accumulate during the period from the date of the advance to the termination of a limited appointment (not temporary in character) or one expiring on a specified date.

Sec. 7. Sick leave shall not be granted for slight illness or indisposition not incapacitating the employee for the performance of his regular duties, or for absence for the purpose of being treated professionally by a dentist or oculist in his office; but sick leave may be granted for detention at home or in a hospital by illness or disability due to causes as to which a dentist or oculist is qualified to certify.

Sec. 8. Sick leave shall not accumulate during a period of leave without pay when such period is continuous for 30 days or more in any calendar year.

Sec. 9. An employee appointed by the Board to a permanent position immediately following his separation from a permanent position in another part of the government or
in a Federal Reserve bank may at the time of appointment be credited with accumulated sick leave and charged with sick leave previously advanced in excess of that accumulated at the time of appointment.

Sec. 10. Any Sunday, holiday, or non-work day within a period of sick leave shall be charged as sick leave, except when immediately preceding or following a period of sick leave, if the employee was in a pay status immediately prior to or following such Sunday, holiday, or non-work day. For such days as per diem and per hour employees would not be in a pay status, no sick leave shall be charged.

Sec. 11. The minimum charge for absence on account of sickness, except on Saturdays or on other days when 4 hours constitute a full work day, shall be 1/2 day and more than 1/2 day shall be charged in multiples of one hour. On Saturdays, or other days when 4 hours constitute a full work day, 2 hours or less sick leave shall be charged as 1/2 day and more than 2 hours shall be charged proportionately.

Sec. 12. Notification of absence on account of sickness shall be given as soon as possible on the first day of absence to the head of the division or office, who shall report the fact to the Secretary's office. If such notification be not received, such absence may be charged to annual leave or leave without pay. Application for sick leave shall be filed within two days after return to duty.

Sec. 13. Application for sick leave for a period in excess of 3 days shall be supported by the certificate of a registered practicing physician or other practitioner. For periods of 3 days or less, up to an accumulation of 12 days in any one calendar year, the applicant's signed statement on a prescribed form may be accepted.

Sec. 14. When sickness continuing for more than 5 days occurs within a period of annual leave, the period of illness may, upon presentation of the certificate of a registered practicing physician or other practitioner, be charged as sick leave and the charge against annual leave granted reduced accordingly. No such charge shall be made for illness lasting for not more than 5 days. Application for such substitution of sick leave for annual leave shall be made within 2 days after the expiration of the annual-leave period.

Sec. 15. Sick leave may not be granted for a period immediately following a period of absence in a non-pay status, unless and until there has been a return to actual duty, nor may such leave without pay be converted into sick leave.

Sec. 16. Any temporary employee may be granted 1-1/4
days of sick leave for each month of service, but shall not be entitled to an advance of sick leave. Sick leave accumulated during temporary appointment shall be credited to an employee who receives a permanent appointment without break in service.

Sec. 17. The Board will hold employees strictly accountable for prompt and truthful reports regarding exposure to contagious disease and for the truth of statements appearing in applications for sick leave. The Secretary's Office will investigate circumstances coming to its attention which appear to be inconsistent therewith. Proof of any willful misstatement or of any attempt of an employee to mislead or deceive official superiors, directly or indirectly, in regard to an application for leave on account of sickness, or proof of negligence in reporting exposure to contagion, will be sufficient cause for discipline.

Sec. 18. Every request for accrued and advance sick leave on account of enforced absence, due to contagion, must be supported by a certificate from the local Health Officer, except that, in a community where there is no Health Officer, a statement from the attending physician will suffice.

PART III

LEAVE WITHOUT PAY

Sec. 1. In case an employee is absent beyond the period fixed in these regulations for sick and annual leave, with no probability of an immediate return to duty, the head of the office or division shall report the case to the office of the Secretary, giving a full statement of the facts, with such recommendation as may be deemed proper, for the consideration of the Board. Leave of absence without pay shall be applied for in periods not exceeding 60 days at any one time, and such leave shall be applied for in advance, except in case of emergency.

Sec. 2. If leave without pay on account of sickness be applied for, a certificate of the attending physician or other practitioner should be attached. If leave without pay for any other reason is applied for, a statement must be attached, showing the necessity for such leave.

Sec. 3. Leave without pay for less than 1 day of an employee who is required to work 8 hours per day will be charged at the rate of one-eighth of a day for each hour of absence; of an employee who is required to work 7 hours
per day, at the rate of one-seventh of a day for each hour of absence. An employee on leave of absence without pay all day on Saturday shall be charged a full day. When an employee is granted leave without pay for a Saturday or a day preceding a holiday and returns to duty at the opening hour on the following Monday or day following the holiday, he shall be in a nonpay status for 1 day.

PART IV
MILITARY LEAVE

Sec. 1. Every application for military leave, not to exceed 15 days for all military organizations (except the National Guard) in any one year, must be made in advance and be subsequently supported by a certificate of a competent officer of the organization authorized by law to the effect that the time served was in accordance with General Orders, and state the provision of law under which such time was served. Any member of the National Guard of the District of Columbia may be granted military leave (1) on all days of service which he may be ordered to perform by the commanding general; and (2) on all days during which he shall be engaged in field- or coast-defense training ordered or authorized under the provisions of the act of June 3, 1916.

PART V
COURT LEAVE

Sec. 1. An employee who, in obedience to a subpoena or direction by proper authority, appears as a witness for the Government in court proceedings, is entitled, under section 850, Revised Statutes, to his regular compensation while absent from duty and to any actual and necessary expenses, but is not entitled to any witness fees or mileage. Where an employee appears as a witness for a suitor other than the United States the provisions of section 850, Revised Statutes, are not applicable and the employee is not entitled to his regular compensation while absent from his place of duty unless granted annual leave for that purpose.

PART VI
COMPENSATORY LEAVE FOR OVERTIME

Sec. 1. When justifiable in the opinion of the head
or an assistant head of the office or division, compensatory leave may be granted for overtime in excess of one hour beyond the regular work day prevailing, provided such overtime was necessary in the judgment of the head or an assistant head of the office or division, with the understanding, however, that employees paid on an hourly basis may be granted compensatory leave for all overtime, in lieu of additional compensation at the regular hourly rate when the employee so elects, with the approval of the head or assistant head of the office or division. Compensatory leave for overtime must be taken as soon as the work of office or division will permit, and such leave may not be used for the purpose of accumulating annual leave.

PART VII
GENERAL PROVISIONS

Sec. 1. The above regulations pertaining to annual and sick leave shall not apply to: employees not required to be continuously employed during regular tour of duty, such as: (1) employees who are paid only when actually employed; (2) per diem or per hour employees engaged in an emergency who may be employed for more than one 7 or 8-hour shift within 24 hours during the emergency; (3) part-time or intermittent employees; (4) persons engaged under contract; (5) employees engaged temporarily on a piece-price basis; (6) employees who are paid at hourly rates but who are not engaged on construction work, such as mechanics, skilled laborers, and others engaged in various services on maintenance, repair, clean-up work, etc., where employment is more or less intermittent and not on a regular and continuous basis; and (7) employees paid on a fee basis, such as physicians, surgeons, and other consultants.

Sec. 2. Applications for leave must be submitted on the form provided therefor, must be approved by the head or an assistant head of the office or division, and must then be forwarded to the Office of the Secretary.

Sec. 3. All leave records shall be maintained in the Office of the Secretary and all applications approved by the heads of offices and divisions shall be forwarded to the Office of the Secretary as promptly as possible for review to determine that the leave granted in each case is in accordance with these regulations.

Sec. 4. Heads of divisions and offices and the Office of the Secretary will be held responsible for the enforcement of these regulations.
Sec. 5. Employees who are on official leave and those who are detailed to other offices or divisions shall be reported on the daily list of absentees and appropriate notation shall be shown thereon as to their assignments. The daily list of absentees shall be sent to the office of the Secretary as promptly as possible and not later than the close of the day.

Sec. 6. An employee detained by causes beyond his control, and unable to report for duty at the opening hour, must notify the office in which employed to that effect not later than 9:30 o'clock a.m., if practicable, on the first day of absence. Absence from duty for any cause, without prior permission, must be satisfactorily explained, and if not satisfactorily explained, will be cause for deduction in salary or other disciplinary action.

Sec. 7. These regulations supersede and cancel all other leave regulations previously issued by the Board.

Thereupon the meeting adjourned.

Approved:

Chairman.

Secretary.