

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 26, 1938, at 12:30 p. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Paulger, Chief of the Division of
Examinations
Mr. Leonard, Assistant Chief of the
Division of Examinations

Messrs. McKee and Davis reported on the progress of negotiations looking toward development of a uniform bank examination policy by the Federal supervisory agencies. The preliminary conference called by Assistant Secretary of the Treasury Wayne C. Taylor had met on April 25, and had reviewed the problem generally. A meeting this morning with the Secretary of the Treasury had resulted in the decision to ask the chief examiners of the three Federal agencies, Messrs. Paulger of the Federal Reserve System, Nichols of the Federal Deposit Insurance Corporation, and Folger of the Comptroller's Office, to meet this afternoon and continue daily sessions until agreement was reached and, if points were found where agreement was impossible, the differences were set forth in a written report.

It was agreed that Messrs. Paulger and Leonard in the succeeding conferences with examiners representing the other agencies

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should be guided by the principles set forth in the memorandum considered at the meeting of the Board on April 6, 1938, as changed during the discussion at this meeting.

At this point Messrs. Paulger and Leonard left the meeting and consideration was then 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 April 23, 1938, were approved unanimously.

Memorandum dated April 26, 1938, from Mr. Morrill recommending that, for the reason stated in the memorandum, Miss Marion L. Goshorn, a stenographer assigned to Mr. Hamlin, Special Counsel to the Board, be retransferred to the Division of Examinations, with no change in her present salary at the rate of \$1,800 per annum, effective as of May 1, 1938.

Approved unanimously.

Memorandum dated April 25, 1938, from Mr. Noell, Assistant Secretary, stating that on March 18, 1938, John C. Harvey, fourth assistant engineer, injured his hand while performing his duties; that he was treated by a physician from the United States Public Health Service on March 21 and subsequently returned to work on April 4; that his hand became swollen again, and that on returning to the Public Health Service physician Mr. Harvey was advised of a recent

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ruling of the United States Employees Compensation Commission that as employees of the Board of Governors of the Federal Reserve System were not regarded as civil employees of the United States within the meaning of the Federal Employee's Compensation Act of September 7, 1916, no benefits of the Act could be extended to Mr. Harvey. The memorandum stated further that upon recommendation by Mr. Morrill, Mr. Draper had approved, on behalf of the Personnel Committee, the sending of Mr. Harvey to Dr. Barr, the Board's examining physician, for further treatment at the expense of the Board.

Approved unanimously.

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

"In view of the circumstances set forth in your letter of April 21, 1938, the Board approves for a further period of three months from April 21, 1938, the payment of a salary to Mr. Charles Slater at the rate of \$2,600 per annum, which is in excess of the maximum annual salary provided in the personnel classification plan of your bank for the position now occupied by this employee."

Approved unanimously.

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

"Receipt is acknowledged of your letter of April 21, 1938, with regard to the proposed service of Mr. Norman P. Davis, Manager of the Security Loans Department of your bank, as a member of the Board of Education of the local school district at Pleasantville, New York.

"You advise that the Board of Education consists of five members who are elected for terms of three years and who serve without remuneration. You also state that

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"the elections are held at a meeting open to all residents of the school district and that Mr. Davis is informed that in the past the elections have always been free from party politics. It is also noted that this matter has been presented to your board of directors and that the directors expressed the view that Mr. Davis' election and service as a member of the Board of Education would not be contrary to the spirit of the Board's resolution of December 23, 1915, regarding the holding by officers and directors of Federal Reserve banks of political or public office.

"On the basis of the circumstances stated, the Board of Governors offers no objection to Mr. Davis' election and service as a member of the Board of Education of the local school district in question.

"It is also noted that the directors of your bank requested that you suggest to the Board of Governors that it might be desirable to give consideration to the question of a general ruling which would permit officers and employees of Federal Reserve banks to serve upon school boards and boards of education. Several cases of this kind have been presented to the Board in the past and the circumstances surrounding such cases have not been uniform, with the result that the Board has not always felt justified in offering no objection to service of this kind. Accordingly, the Board of Governors believes that it would not be desirable at this time to make any general ruling applicable to all cases of service upon school boards or boards of education, but that each such case should be considered on its merits."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks,
reading as follows:

"It has been noted that in some cases men holding commissions as Assistant Examiners have signed reports of examinations of State member banks made by the examination departments of Federal Reserve banks. This, it is believed, is an undesirable practice which should be discontinued.

"As a general policy, examinations should be conducted by commissioned Examiners, and only in

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"exceptional circumstances should they be conducted by Assistant Examiners and then only when the Assistant Examiner has the qualifications which an Examiner of necessity must possess for the purpose of such examination. In such circumstances, it is believed that the report should be signed by him as 'Examiner' rather than as 'Assistant Examiner', as a report signed by an Assistant Examiner may logically raise questions as to the qualifications of the man who made the examination and the soundness of the findings and recommendations contained in the report. This applies to the examinations of trust departments as well as to examinations of the banking departments."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. C. C.
Chairman.