

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 10, 1939, at 2:00 p.m.

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

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

Chairman Eccles presented for consideration a letter addressed to him by the President of the United States under date of July 8, 1939, reading as follows:

"As you know, the Reorganization Act provided for a certain number of administrative assistants to the President. As one of these assistants, I should like to appoint Lauchlin Currie, Assistant Director of Research in your organization.

"In order, however, that his present status with the Board of Governors be preserved while serving as my assistant, I would appreciate it if the Board would grant him leave of absence for a period of a year, to take effect upon the date of his appointment."

After a discussion, it was agreed unanimously that the Chairman should advise the President that the Board would be glad to grant Mr. Currie a leave of absence for a period of one year to take effect upon the date of his appointment as assistant to the President and to preserve his present status as a member of the Board's staff during that period.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board:

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, prepared in accordance with the action taken at the meeting

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of the Board on July 7, 1939, and reading as follows:

"Receipt is acknowledged of your letter of June 23, 1939, advising of the action taken by your board of directors at its June meeting with respect to advances to be made to member and nonmember banks on the security of Government obligations in the event of disturbances resulting from political developments abroad, and inquiring whether the Board wishes to have the matter brought up for further consideration at some future meeting of your board when the Deputy Chairman is present.

"The Board of Governors still feels that, for the reasons which were discussed at the meeting of the Board with the Presidents on April 18, 1939, it is highly desirable that all of the Federal Reserve banks have a uniform policy with respect to advances to member and nonmember banks on the security of Government obligations in the circumstances discussed at that meeting. Therefore, the Board will appreciate it if the directors of your bank will give further consideration to the matter at a meeting when Mr. Wood, and if possible the other directors who were not present at your June meeting, are in attendance."

Approved unanimously.

Letter to the "Union Bank & Trust Company", Cedar Falls, Iowa, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the 'First National Bank in Cedar Falls', Cedar Falls, Iowa, the national bank into which the Union Bank & Trust Company, Cedar Falls, Iowa, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, and guardian of estates, the exercise of all such rights to be subject to the provisions of the Federal Reserve

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"Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of the Union Bank & Trust Company into the First National Bank in Cedar Falls becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise trust powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Chicago for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

Letter to "The Union National Bank of Bartlesville", Bartlesville, Oklahoma, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as registrar of stocks and bonds, grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Oklahoma, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.



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

"This refers to your letter of June 23, 1939, to Mr. Smead, with respect to the question whether certain members of the staff of your bank and of several other Federal Reserve banks who assisted in the recent examination of the Federal Reserve Bank of New York are entitled to extra compensation for overtime work performed in connection with such examination by reason of the provisions of the Fair Labor Standards Act of 1938.

"The Board's letter of October 25, 1938 (S-121), regarding conformity on the part of the Federal Reserve banks to the standards established by the Fair Labor Standards Act of 1938 was based upon the view that the standards prescribed by that Act should be observed by the Federal Reserve banks according to the spirit of the law, regardless of the fact that there might be doubt as to the applicability of the law to the Federal Reserve banks or as to its applicability in particular instances or to particular employees of such banks. In keeping with this view, it is the opinion of the Board that whatever doubt may exist in the present case as to the applicability of the Fair Labor Standards Act should be resolved in favor of the employees and that, therefore, employees who were utilized in the examination of the Federal Reserve Bank of New York and with respect to whom the requirements of the Act are customarily observed by your bank should be paid extra compensation in accordance with the provisions of the Act for overtime work performed by them in connection with such examination.

"In its letter of February 20, 1933, the Board stated that it would reimburse the Federal Reserve banks for the assistance of their employees in connection with examinations on a basis which included the amount of \$5 per day or fraction thereof, but in no case more than \$25, as compensation for extra services rendered by such employees, in addition to their regular salaries. Since this amount was intended as extra compensation, it should be deducted from the amount due such an employee on account of overtime work under the provisions of the Fair Labor Standards Act of 1938. Upon receipt of advice of the amounts of extra compensation paid in accordance with this letter,

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"the Board will reimburse your bank for the amounts so paid.

"In view of the matter here taken, it appears unnecessary to express any opinion upon the question whether employees of the Board of Governors are subject to the provisions of the Fair Labor Standards Act of 1938."

Approved unanimously, together with the following letter to Messrs. Young, Sinclair and Leach, Presidents of the Federal Reserve Banks of Boston, Philadelphia and Richmond, respectively:

"The Board of Governors has recently been presented by the Federal Reserve Bank of Cleveland with the question whether certain members of the staff of that bank and of other Federal Reserve banks, including the Federal Reserve Bank of \_\_\_\_\_, who assisted in the recent examination of the Federal Reserve Bank of New York, are entitled to extra compensation for overtime work performed by them in connection with that examination, in accordance with the provisions of the Fair Labor Standards Act of 1938.

"For your information there is enclosed herewith a copy of a letter which the Board is today addressing to Mr. W. F. Taylor, Vice President and Cashier of the Federal Reserve Bank of Cleveland, with respect to this matter. The views stated in the enclosed letter are likewise applicable with respect to employees of your bank who assisted in the examination of the Federal Reserve Bank of New York."

Telegram to the Presidents of all Federal Reserve banks, reading as follows:

"Informal inquiries received indicate that charges for telegrams sent over leased wires for member banks are not being handled uniformly by all Reserve banks. As indicated in paragraph numbered 3 in Board's letter S-164, charge against a member bank for a telegram sent to or received from another Federal Reserve bank or branch should be retained by the Reserve bank assessing charge, i. e., by the Reserve bank that collects the

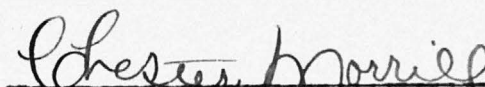
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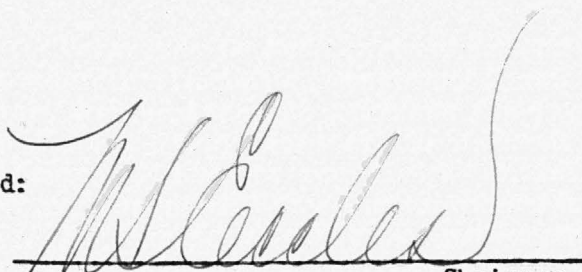
"charge and accordingly no crediting of such charges by one Reserve bank to another is contemplated. In this connection it is understood that some Reserve banks have adopted the practice of marking 'collect' each telegram sent to another Federal Reserve bank for which it is assumed a charge will be collected from member bank by the receiving Reserve bank. Report of leased wire subcommittee dated February 27 provides that proceeds of leased wire charges should be shown as reimbursable expenses on Forms 96 and 96a and deducted from total of Telegraph unit on Form E."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.