

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 31, 1942, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 30, 1942, were approved unanimously.

Memorandum dated today to all members of the Board's staff, reading as follows:

"Effective January 4, 1943, the official working hours of the Board will be from 8:45 a.m. to 5:15 p.m., with 30 minutes for lunch each day, Monday through Saturday. For those classes of employees whose duties require working other than the official hours, hours of duty will be assigned by the heads of their respective divisions. The change in daily hours is in accordance with the wishes of a large majority of the employees, as indicated by their replies to the recent questionnaire.

"Since Saturday will be a full work day, the cafeteria will provide the same service on that day as has been customary on the other work days of the week.

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"The eight hours overtime during the 48 hour official work week will be paid for at rates equal to those authorized by the Senate Joint Resolution which recently became effective. The present practice of granting compensatory leave for overtime in excess of official working hours is being continued.

"The overtime payment made for the first half of December was based on a 44 hour week. The overtime payment being made today for the last half of December is based on a 44 hour work week for the period December 16-December 23, inclusive, and a 48 hour week for the period December 24-December 31, inclusive, since Saturday, December 19, was a four hour day, while Saturday, December 26, was an eight hour day.

"Some questions have been raised as to the method of computing overtime. Overtime is computed on a 40 hour basic week, and for employees on an annual salary basis payment for overtime during the official hours will be calculated on an annual basis and paid semi-monthly in equal amounts. This means that the payments will not fluctuate, depending on whether there are two or three Saturdays in a period. Under the Government regulations just issued, payment for overtime is computed upon the following basis:

The hourly rate is considered to be one-eighth of the daily pay, which in turn is considered to be $1/360$ of the annual salary. Overtime is then paid at one and one-half times the hourly rate so determined.

"On an annual salary of \$1,440, for example, under the Government regulations the daily rate is \$4.00, and the hourly rate is 50¢. Overtime for a 48 hour week amounts to \$6.00, computed by multiplying the number of hours of overtime by one and one-half times the hourly rate (8 times 75¢). For 52 weeks the overtime would amount to \$312, or 21.6% of the annual salary.

"Under the Joint Resolution overtime is not payable on any part of basic compensation in excess of \$2,900 per annum and no payment for overtime can be made which would cause the total of basic compensation and overtime compensation to exceed a rate of \$5,000 per annum.

"Absence on approved annual or sick leave will be charged to leave and will not reduce the amount of overtime compensation to which an employee is entitled for the official work week.

"Questions have been asked as to whether overtime compensation is to be taken into consideration in computing

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"retirement allowances and contributions and Victory tax payments.

Retirement allowances and contributions, both under the Federal Reserve Retirement System and the Civil Service Retirement System, are computed on basic salaries exclusive of payments for overtime. Therefore, no deductions for the retirement system will be made from overtime payments.

The Victory tax, however, is payable on overtime. Deductions for the tax, therefore, will be made from overtime payments.

"It is hoped that these explanations will prove helpful, but if you have any questions, it is suggested that you take the matter up with the head or assistant head of your division or with the Division of Personnel Administration."

Approved unanimously.

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

"Receipt is acknowledged of your letter of December 22, transmitting a copy of the By-Laws of the Detroit Branch of the Federal Reserve Bank of Chicago, as revised by your Board of Directors at its meeting December 17, 1942.

"Among the significant changes are the discontinuance of the office of managing director and the designation of a vice president of the Federal Reserve Bank of Chicago as the senior executive officer of the Branch. The Board has heretofore approved the salary for Mr. E. C. Harris, who has been elected by your Board as vice president to be placed in charge of the Detroit Branch. In accordance with the recent amendment to the regulation relating to branches of Federal Reserve Banks, the Board also approves the discontinuance of the office of Managing Director and the designation of a vice president of your Bank as the active manager of the Branch.

"In accordance with the action of your Board of Directors in reducing the number of the directors of the Branch from seven to five, the Board is not appointing a director to fill the vacancy in the term ending December 31, 1943, occasioned by the resignation of Mr. Avery.

"It has been noted that, while the revised By-Laws retain the present provision for director's fee of \$10 for

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"each meeting of the Board, section 10 of Article II with respect to compensation of directors has been revised by the addition of the following sentence:

'When the Directors of the Detroit Board attend meetings at the Chicago office, or elsewhere in the District, they shall be entitled to receive a fee of \$20.00 for each meeting attended and a per diem of \$20.00 for each day they are required to be absent from their places of residence to attend such meetings, and a further allowance for actual necessary traveling expenses incurred in attending such meetings.'

"The Board approves the payment of fees on this revised basis."

Approved unanimously.

Letter to Mr. Dillard, Vice President and Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"You are correct in your understanding that the Board has approved payment, effective August 1, 1942, of compensation and expenses of directors in accordance with the resolution transmitted with your letter of December 4, 1942."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of December 21 inquiring as to the follow-up procedure in the case of the Citizens Bank of Montana, Havre, Montana.

"When the application of this bank for membership was presented to the Board, questions were raised with regard to the need for a new bank in a community of somewhat less than 6,000 population when two banks were already established there; the fact that the formation of the new bank was apparently brought about to a considerable degree by friction between the members of its proposed management and the management of one of the existing banks; and the fact that for the present at least the financing of the bank depends largely upon one man. The Board felt that in view of your recommendation it was justified in approving the application

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"for membership but in the absence of any statement that in view of the unusual circumstances in the case you contemplated closely following the situation until the bank becomes well established it seemed desirable to mention the need for such action. It was for this reason that the statement to which you referred was included when the Board approved the bank's application for membership."

Approved unanimously.

Letter to "The Citizens National Bank of Hope", Hope, Arkansas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, 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 Arkansas, 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.

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

"Replies to Board's December 30 wire indicate that all Federal Reserve Banks will charge this year's earnings with their portion of the \$4,594,033 accrued Retirement System liability and defer actual payment until final action is taken by all Federal Reserve Banks. In Board's published statement amount of payments to Retirement System

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"will be shown as a deduction from current net earnings against caption 'Retirement System (interest base adjustment)'. Suggest that same procedure be followed in statements released by your Bank. Understood that on Balance Sheet, Form 34, and in published statements checks drawn in favor Retirement System will be included in 'Other deposits' until paid or cancelled."

Approved unanimously.

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

"Informal discussions have been had with representatives of the War Department, Navy Department, and Maritime Commission with respect to an apparent lack of uniformity in the vouchers submitted by the Federal Reserve Banks requesting reimbursement for expenses incurred pursuant to Executive Order No. 9112. As an outgrowth of these discussions, the following suggestions have been made with respect to the preparation of the vouchers which apply uniformly to the three Services, the only variation being in the number of carbon copies desired of Form 1034:

Form 1034

1. That the month or other period covered be shown in the second column, 'Date of Delivery or Service'.
2. That a uniform legend be shown in the third column, 'Articles or Services', reading as follows: 'Expenses incurred, as fiscal agent of the United States, for the _____, pursuant to Executive Order No. 9112'.
3. That the total amount only of the voucher be shown in the 'Amount' column. (When the expenses of both the head office and branches are included in the same voucher, it is not desired that separate totals be shown for each office.)
4. The Navy Department and the Maritime Commission each desire one copy of Form 1034 (white) and five copies of Form 1034a (yellow); the War Department desires one white copy and two yellow copies.

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"Documents supporting Form 1034

1. One copy only of each supporting document is desired. (This refers both to receipted bills furnished by outside firms and to certified statements prepared in typewritten form by the Reserve Bank.)
2. When the expenses of the head office and branches are included in the same voucher, the supporting documents should be arranged, for all offices combined, by object of expenditure ('Salaries', 'Retirement system contributions', etc.). It is not desired that the documents be arranged separately for the head office and each branch, and separate totals for each class of expenditure need not be shown for the head office and each branch.
3. It is requested that 3 copies of a summary statement of expenses included in each voucher be submitted in accordance with the attached form, a supply of which is being forwarded to your Bank under separate cover. When the expenses of the head office and branches are included in the same voucher, the 'combined' figures only are desired on the summary statement.
4. All supporting documents, including copies of telegrams, should be stapled together securely in the upper left corner (with the staples opening on top), and any folded papers should be arranged in such a manner as to permit ready inspection without unfastening.

"The Navy Department and Maritime Commission prefer that expenses incurred at the branches be included in the head office vouchers without segregation, and the War Department prefers this arrangement except in cases where liaison officers are stationed at the branches. The War Department requests that separate vouchers be submitted for branches having liaison officers. None of the agencies will object, however, to the submission of separate vouchers for the branches, if it is found more convenient to have the branches follow this procedure."

Approved unanimously.

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

"Retel today, no objection to circularizing new schedule of

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"guarantee charges. Suggest you follow same practice as heretofore in determining whether to charge minimum or maximum guarantee fee in case of 90 per cent guarantees involving loans in excess of \$150,000."

Approved unanimously.

Telegram to Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Re your wire December 30. Under guaranty agreement guarantor, except during first 90 days of loan, would have right after notice through purchase of loan to require transfer of collateral securing guaranteed loan. Accordingly, in absence of any special circumstance which would leave voting right of pledged stock after such transfer in member bank, Board agrees with your conclusion that case would come within Board's ruling of March 22, 1941, and would not result in creation of affiliate relationship."

Approved unanimously.

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Following receipt of your letter of December 23, 1942, Governor Szymczak talked with Mr. Bell with respect to the desirability of maintaining a stock of Treasury notes, certificates of indebtedness, and bills at the Branches in connection with the interdistrict transfer of such securities and was advised that the Treasury Department is not opposed, in principle, to the maintenance of stocks of these securities at the Federal Reserve Branches but that the stock of such securities on hand is not sufficient for the purpose. If all Branches were to be supplied, the additional stock required would be very substantial.

"It is understood, however, that the Treasury will keep this matter in mind and that it may be found practicable at a later date to stock the Branches with limited supplies of these securities in order that their interdistrict transfer may be facilitated."

Approved unanimously.

Letter to Mr. John A. Scales, Cashier of the Citizens Banking Company, Sandusky, Ohio, reading as follows:

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"We have your letter of December 17 requesting information regarding the proper composition of the security portfolio of a bank in the \$7,000,000 to \$8,000,000 asset size group. The Board does not compile any analysis of the balance sheets of banks by such narrow size groupings. However, there is enclosed a copy of the June 30, 1942 Member Bank Call Report, on pages 4 and 5 of which you will find a detailed classification of assets and liabilities by reserve classes of banks, and on pages 10 to 13 a similar breakdown by reserve classes and geographical location. While these classifications do not exactly meet your request, perhaps they will be useful in indicating existing relationships in different groups of banks.

"In order to make suggestions as to the investment policies to be followed by your bank it would of course be necessary to make a detailed study of the bank's present position and its prospects. It is the policy of the Board not to make such suggestions, but the next time you are in Cleveland you might find it helpful to discuss this problem with Mr. W. H. Fletcher, Vice President of the Federal Reserve Bank of Cleveland. You may possibly also wish to consult certain general statements on bank investment policy recently published in the Federal Reserve Bulletin, on pages 631-632 of the July 1942 issue, and pages 1190-1191 of the December 1942 issue."

Approved unanimously.

Memorandum dated December 30, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting, and recommending the approval of, a revised budget for the statistical and analytical function of the head office of the Federal Reserve Bank of Dallas for the year 1942. The memorandum stated that the increase of \$1,021, for which approval was requested, reflected primarily expansion in personnel made necessary by the larger volume of work and an increase in expenditures for printing, stationery, and supplies, chiefly in connection with the survey of commercial loans at member banks in the district that was initiated by the Board of Governors.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved: [Signature]
Vice Chairman.