

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 3, 1943, at 11:00 a.m.

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

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

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 February 2, 1943, were approved unanimously.

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

"Referring to your letter of January 29, 1943, the Board of Governors approves the reappointment of Messrs. C. F. Hood, H. P. Ladds, H. R. Neff, D. C. Swander, and W. W. Withington, as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each beginning March 1, 1943."

Approved unanimously.

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

"Reference is made to your letter of January 14, 1943, with respect to the actions taken by the Board of Directors of your Bank regarding the election of officers and fixing of salaries.

"The Board of Governors approves payment of salaries to the following officers of the Bank for the period February 1, 1943 to May 31, 1943, at the rates fixed by the directors, as

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"indicated. Approval is given for the period ending May 31, 1943, in accordance with the procedure outlined in the Board's letter of June 16, 1939, under which annual approval of the salaries for officers of your Bank is given for the year ending May 31.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
O. R. Preston	Vice President	\$8,000
E. B. Larson	Assistant Cashier	6,000
Ronald D. Baker	Assistant Cashier	4,500
<u>Helena Branch</u>		
C. J. Larson	Assistant Manager	5,000

"It is noted that the other officers, except the President and First Vice President, whose terms are fixed by statute, were reelected for the ensuing year without change in salary. Their salaries at the present figures have previously been approved for the period ending May 31, 1943."

Approved unanimously.

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

"There is enclosed a memorandum from the War Department, dated January 30, 1943, signed by Lieutenant Colonel Paul Cleveland, regarding guaranteed loans in cases where the Borrower is a contractor with the Quartermaster Corps of the Army.

"A copy of Colonel Cleveland's memorandum is being furnished to each Liaison Officer."

Approved unanimously.

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

"A few days ago a financing institution, which is extending credit to a Navy contractor under a Navy guarantee, received a request from a local Inspector of Naval Material that he be advised as to the terms of repayment of the loan and as to the current status of the advance.

"The financing institution expressed to the Federal Reserve Bank, which issued the guarantee, its surprise at this action on the part of the local Naval Inspector and asked to be advised if the Navy Department was assuming any responsibility in connection with servicing the loan.

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"This matter was taken up with the Finance Section of the Navy Department and we have been advised that the Department informs all resident Naval Inspectors of loans made to concerns located in their respective districts which have been guaranteed under provisions of Regulation V. The Inspectors are required to report back to the related Bureau of the Navy Department anything connected with the Borrower which might bear adversely on the outcome of the loan. This is in addition to the normal servicing which the Navy Department expects to be done by the lending bank.

"The Navy Department has expressed the ardent hope that there will exist a liaison between financing institutions and Naval Inspectors to the end that the financing institutions will receive information concerning production accomplishments and criticisms connected therewith from the Inspectors and that the Banks will cooperate by giving the Inspectors all information which might be helpful to them in performing their duties.

"We have been requested by the Navy Department to advise you of its position in this matter so that you will be in a position to answer any inquiries in connection therewith received from financing institutions."

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"As you know, the arrangement under which the books and accounts of the Board of Governors were audited by auditors from your bank for the calendar years 1941 and 1942 has terminated. Mr. Poorman and his associates have very ably performed this work, but in line with the Board's policy of rotating the task among the auditors of several of the Reserve Banks, the Board has requested the Federal Reserve Bank of Richmond to undertake the work for the calendar years 1943 and 1944.

"Mr. Leach has indicated that the Federal Reserve Bank of Richmond will be glad to assume this responsibility and it is understood that Mr. R. S. Brock, Jr., auditor of that bank, will communicate with Mr. Poorman for the purpose of obtaining detailed information regarding the scope of the audit as made by him and the procedure followed heretofore.

"The Board appreciates the splendid cooperation it has received from your bank in the handling of this work and feels that Mr. Poorman is to be commended for the painstaking and

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"thorough manner in which he has made these audits and for the fine spirit of cooperation he has displayed at all times."

Approved unanimously, together with the following letter to Mr. Leach, President of the Federal Reserve Bank of Richmond:

"The arrangement under which the books and accounts of the Board of Governors for the calendar years 1941 and 1942 were audited by auditors for the Federal Reserve Bank of Philadelphia, under the direction of Mr. Philip M. Poorman, has terminated. The auditors made one surprise audit and a year-end audit for each calendar year. Mr. Poorman completed an audit as of the close of December 31, 1942 only a week ago, having covered transactions for the period from June 1 to December 31, 1942, inclusive.

"The arrangement with the Philadelphia Reserve Bank contemplated that the Board would reimburse it for the salaries of the auditors, retirement contributions made by the Bank on their behalf for the periods they were absent from their official duties at the Reserve Bank and engaged in such audits, their actual necessary transportation expenses, and an allowance for each auditor not to exceed \$8.00 per diem in lieu of subsistence.

"Mr. Poorman and his associates have very ably performed this work, but in line with the Board's policy of rotating the task among the auditors of several of the Reserve Banks, the Board will be glad to have your institution undertake the work on the above basis for the calendar years 1943 and 1944. It is understood from my recent telephone conversation with you that it will be entirely satisfactory to you to permit the auditors of the Federal Reserve Bank of Richmond to audit the Board's accounts and records for the period and on the basis indicated. However, please confirm this understanding.

"In this connection, it is suggested that your auditor, Mr. R. S. Brock, Jr., communicate directly with Mr. Poorman for the purpose of obtaining detailed information regarding the scope of the audit as made by him and the procedure followed heretofore."

It was suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Mr. H. E. Riley, of the Division of Review and Research of the National War Labor Board, and Mr. P. H. Needham, of the office of the Commissioner of Internal Revenue.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.