

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, March 27, 1943, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Draper  
Mr. Evans

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

Memorandum dated March 22, 1943, from Mr. Morrill, recommending that Howard A. Shorter be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the rate of \$1,500 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated March 24, 1943, from Mr. Morrill, recommending approval of (1) increases in salaries of employees in the Secretary's Office as listed below, and (2) the appointments of Ruby C. Corcoran and Lillie B. Lerch as junior file clerks in the Secretary's Office on a permanent basis, all effective April 1, 1943.

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Corcoran, Ruby C.	Junior File Clerk	\$1,440	\$1,560
Lerch, Lillie B.	Junior File Clerk	1,440	1,560
Breeden, Virginia C.	Junior File Clerk	1,440	1,560

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<u>Name (Continued)</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Hatch, Cora Lee	Junior File Clerk	\$1,440	\$1,560
Mackey, Alice M.	Junior File Clerk	1,440	1,560
Simpson, Evelyn L.	Junior File Clerk	1,440	1,560
Simpson, Hazel Lee	Junior File Clerk	1,500	1,620
Jones, M. Elizabeth	Junior File Clerk	1,560	1,680
Andrews, Ruby S.	Junior File Clerk	1,620	1,740
Miles, Maria D.	Junior File Clerk	1,680	1,740

Approved unanimously.

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"This is to advise you that the Board of Governors notes without objection the salaries paid to employees of your Bank as of January 1, 1943, as shown in the statement accompanying your letter of March 10, 1943."

Approved unanimously.

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

"As requested in your letter of March 20, 1943, the Board of Governors approves payment of salaries to the officers of your Bank, for the year beginning April 1, 1943, at the following rates as fixed by your Board of Directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Allan Sproul	President	\$45,000
Leslie R. Rounds	First Vice President	34,000
Ray M. Gidney	Vice President	20,000
L. Werner Knoke	Vice President	20,000
Walter S. Logan	Vice President and General Counsel	25,000
James M. Rice	Vice President	17,500
Robert G. Rouse	Vice President	19,500
John H. Williams	Vice President	1/ 22,000
Edward O. Douglas	Asst. Vice President	10,000
George W. Ferguson	Asst. Vice President	10,000

1/ During period of part time service to the Bank, which will involve Mr. Williams' spending two days a week at the Bank, the salary paid him by the Bank to be at the rate of one-third of his regular annual salary.

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<u>"Name (Continued)</u>	<u>Title</u>	<u>Annual Salary</u>
J. Wilson Jones	Asst. Vice President	\$15,000
Herbert H. Kimball	Asst. Vice President	10,500
Silas A. Miller	Asst. Vice President	10,500
Arthur Phelan	Asst. Vice President	13,000
Harold V. Roelse	Asst. Vice President	12,500
Horace L. Sanford	Asst. Vice President	9,500
Valentine Willis	Asst. Vice President	14,000
Todd G. Tiebout	Asst. General Counsel	11,000
Rufus J. Trimble	Asst. General Counsel	12,000
Loren B. Allen	Manager, Credit Dept.	7,000
Dudley H. Barrows	Manager, Cash Dept.	9,500
Harold A. Bilby	Manager, Check Dept.	8,000
Harry M. Boyd	Manager, Savings Bond Redemption Dept.	6,000
Wesley W. Burt	Manager, Govt. Bond Dept.	8,500
Felix T. Davis	Manager, R.F.C. Custody Dept.	8,200
Norman P. Davis	Manager, Foreign Funds Con- trol Dept. & Security Loans Dept.	8,500
Edwin C. French	Manager, Collection Dept.	10,000
Marcus A. Harris	Manager, Securities Dept.	6,500
William A. Heintz	Manager, Personnel Dept.	6,500
Norris O. Johnson	Manager, Research Dept.	7,000
William M. Kettner	Manager, Security Custody Department	5,500
Daniel J. Liddy	Manager, Foreign Dept.	6,000
Myles C. McCahill	Manager, Service Dept.	8,000
Robert F. McMurray	Manager, Safekeeping Dept.	8,500
William F. Sheehan	Manager, Bank Examinations Dept.	13,000
Insley B. Smith	Manager, Bank Relations Dept.	7,000
Frederick Stocker	Manager, Cash Custody Dept.	6,000
Charles N. Van Houten	Manager, Foreign Funds Control Department	8,000
John H. Wurts	Manager, Govt. Bond Dept.	6,500
Robert H. Brome	Asst. Counsel and Asst. Secretary	6,500
William F. Treiber	Asst. Counsel & Secretary	9,500
Wm. H. Dillistin	General Auditor	15,000
Donald J. Cameron	Asst. General Auditor	9,500

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<u>"Name (Continued)</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Buffalo Branch</u>	
Reginald B. Wiltse	Managing Director	\$10,000
Halsey W. Snow	Cashier	7,500
George J. Doll	Asst. Cashier	4,800"

Approved unanimously.

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

"The increases in maximum annual salaries as set forth in Certificates Nos. 1 to 5 forwarded with your letter of March 9, 1943, with two slight changes which were discussed with Mr. Clark, are approved by the Board of Governors. The changes referred to were the reduction from \$1,320 to \$1,200 in the proposed maximum annual salaries for the positions of Messenger-A at the Head Office and New Orleans Branch. As suggested by Mr. Clark, these reductions were made in the certificates in view of the fact that the proposed maximum salary of \$1,320 was in excess of the maximum prevailing rate for comparable positions in the area as shown in the certificates.

"As requested in your letter, approval of the establishment of the position of Stenographer and Clerk in the Service Department at the Head Office and the increase in maximum annual salary for the position of Junior Clerk-A at the Birmingham Branch is made effective as of February 1, 1943.

"The other changes in the Personnel Classification Plan are approved as submitted. In view of the many changes, attached for your convenience is a list of the positions in the Plan as now revised."

Approved unanimously, together with the following letter to the Joint Committee on Salaries and Wages:

"Under the procedure established by General Order No. 19, of the War Labor Board and the authority granted by the Commissioner of Internal Revenue, transmitted herewith are the original and four copies of certificates Nos. 1 to 5 of the Federal Reserve Bank of Atlanta with respect to increases in the maximum annual salaries, under the personnel classification plan, for certain positions at the Head Office and each of the four Branches.

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"These increases have been approved by the Board of Governors of the Federal Reserve System.

"These adjustments are in connection with a comprehensive revision of the personnel classification plan of the Federal Reserve Bank of Atlanta, the first since 1936. One of the purposes of the revision was to obtain greater uniformity in the personnel classification plans of the various Branches.

"In transmitting this certificate, attention is called to the fact, which has been discussed with representatives of the War Labor Board and of the Commissioner of Internal Revenue, that the maximum annual salaries approved under the personnel classification plan are not, in general, established rates paid for all employees coming within the respective groups. They represent instead maximums within which adjustments, including increases due to individual merit and earned through long service, may be made by the Reserve Bank without further reference to the Board of Governors."

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

"In accordance with the request contained in your letter of March 22, 1943, the Board approves the designation of Ralph E. Young as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with your request the Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of St. Louis and Louisville Branch, as submitted with your letter of March 24, 1943."

Approved unanimously.

Letter to Mr. Ashley, Assistant Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in your letter of March 16, 1943, the Board of Governors approves the

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"appointments of Messrs. Caldwell Jefferson Saunders and John William Digings as Alternate Assistant Federal Reserve Agents with annual salaries at the rates of \$3,480 and \$2,220, respectively, with the understanding that they will be placed upon the Agent's payroll and will be solely responsible to him, or, during a vacancy in the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents they may, with the approval of the Federal Reserve Agent, or during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

"It is noted that the bonds for Messrs. Saunders and Digings, after examination by your Counsel, will be forwarded to the Board, together with advice as to the date when their appointments become effective, and as to action to be taken with respect to releasing the bonding company from liability for any acts committed by Messrs. Thaxton and Segelhurst subsequent to the termination of their duties as Alternate Assistant Federal Reserve Agents."

Approved unanimously.

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

"In accordance with your request, the Board of Governors approves page 136-a of your Personnel Classification Plan, as submitted with your letter of March 18, 1943, establishing the position of Research Specialist in the Research Department with a maximum annual salary of \$5,600.

"In submitting the request, you state that the creation of the new position is necessary because of the increasing activities of the Division of Research resulting from the enlarged research program and that it is necessary to employ economists capable of carrying on advanced research of a more specialized type than has heretofore been done.

"While you have requested the Board of Governors to obtain approval of the new position by the Joint Committee on Salaries and Wages established by the National War Labor Board and the Commissioner of Internal Revenue, in view of the circumstances described above and the fact that the maximum annual salary is materially less than the salary which had been

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"approved for the position of Head of the Department, which position was canceled last year, it is believed that the matter is not one which needs to be referred to the Joint Committee."

Approved unanimously.

Letter to the board of directors of the "Bank of Gouverneur", Gouverneur, New York, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,240, as shown in the report of examination of such bank as of November 19, 1942, made by an examiner for the Federal Reserve Bank of New York."

The letter also contained the following special comment:

"According to the examiner for the Federal Reserve Bank, operations of the trust department receive little formal supervision and the records are inadequate. It is understood that the trust officer, who is executive vice president of the bank, has had little experience in trust administration and that he does not have sufficient time to devote to trust matters. Acceptance of trust business entails serious responsibilities and if the bank intends to continue to hold itself out as being a qualified corporate fiduciary, as a member bank it will be expected to take the necessary steps to give the trust department adequate and efficient supervision and to equip itself to handle the business in conformity with recognized principles of sound fiduciary practices."

Approved unanimously, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

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"The Board of Governors of the Federal Reserve System approves the application of the 'Bank of Gouverneur', Gouverneur, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice insofar as the condition applies to funds which are given statutory preference in the State of New York.

"It seems to be agreed that the management of the bank needs strengthening by the addition of an experienced and qualified executive officer. President Sheldon, who is reported to be the dominant figure in the bank, is 79 years of age and apparently there is no one in the bank properly qualified to take his place. The president has been rather severely criticized by the F.D.I.C. for his liberal loan and investment policies and his tendency to retain substandard securities, and the assistant supervising examiner for the F.D.I.C. apparently does not feel that the management has given adequate attention to the program agreed upon for correcting matters of criticism.

"It is assumed of course that the Reserve Bank will follow the situation closely until the management problems have been resolved satisfactorily and appropriate attention has been given the other matters subject to material criticism, including the operations of the trust department. It is assumed also that the bank will be required to fulfill any commitment to the F.D.I.C. with respect to increasing common stock as debentures are retired. The application has been approved with that understanding."

Letter to the board of directors of "The State Bank of Defiance Company", Defiance, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for



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membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$3,902.64, as shown in the report of examination of such bank as of February 20, 1943, made by an examiner for the Federal Reserve Bank of Cleveland."

Approved unanimously, together with a letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The State Bank of Defiance Company', Defiance, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"It has been noted that consideration is being given to increasing the common stock to \$200,000 by the sale of new stock and the distribution of a stock dividend, at which time the debentures outstanding will be retired. The present basic capital of \$50,000 is of course not in keeping with the size of the bank and it is assumed that you will encourage a program, and its consummation as early as is feasible, which will bring the basic capital to a more nearly commensurate figure.

"It is assumed, also, that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the requirements with respect to savings deposit withdrawals and the savings accounts listed on page 16-(1) of the report of examination for membership."

Letter to the board of directors of the "Commercial State Bank of Melvin", Melvin, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System

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and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letter to the Presidents of all the Federal Reserve Banks,

reading as follows:

"We are in receipt of a memorandum from Mr. William A. Coolidge, Assistant Chief of Finance Section, Navy Department, reading as follows:

'Please notify all Federal Reserve Banks that all sums of money which they owe to the Navy Department, either because of overpayment of interest, collections on loans or for any other reason, should be remitted by a check drawn to the order of the Treasurer of the United States and sent in to the Finance Section.'

"It will be appreciated if you will comply with the request of Mr. Coolidge.

"It is understood, of course, that this does not apply to guarantee fees which should be credited to the general account of the Treasurer of the United States in the usual manner as provided in instructions of the Navy Department to all Federal Reserve Banks, dated May 13, 1942, enclosed with our letter of May 19, 1942."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks,

reading as follows:

"For your information there is enclosed a copy of a memorandum, dated March 25, 1943, received from Lt. Colonel Paul Cleveland, Chief, Loan Section, Advance Payment and Loan Branch, in reply to an inquiry from a Federal Reserve Bank (with respect to extensions of maturities of guaranteed loans under delegated authority).

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

Approved unanimously.

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Memorandum dated March 26, 1943, from Mr. Smead, Acting Administrator for the War Loans Committee, recommending, for the reasons stated in the memorandum, that the sum of \$100 be added to the miscellaneous item in the 1943 non-personal budget of the Office of the Administrator for the War Loans Committee to cover the expense of bus transportation for a messenger between the Board's building and the War Department Pentagon Building.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. Smead  
Chairman.