

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 21, 1943, at 11:45 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
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 June 17, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending that Miss Margaret Griset, a clerk-stenographer in the Office of the Administrator for the War Loans Committee, be transferred to the Division of Bank Operations, with no change in her present basic salary at the rate of \$1,620 per annum, effective June 16, 1943.

Approved unanimously.

Memorandum dated June 17, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending that John R. Farrell, Associate Technical Assistant in that Division, be granted leave of absence without pay beginning June 28, 1943, so that he might enter active duty with the United States Navy, and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously, with the understanding that the payment of one month's unearned salary would be at the rate of basic salary plus overtime.

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Memorandum dated June 15, 1943, from Mr. Vest, Assistant General Attorney, reading as follows:

"The Federal Reserve Banks are authorized by law to act as fiscal agents for the Reconstruction Finance Corporation and under this authority it appears that one or more of them are now performing certain fiscal duties at the request of the Reconstruction Finance Corporation for United States Commercial Corporation. The latter is a recently organized subsidiary of the Reconstruction Finance Corporation primarily engaged in buying up defense supplies and materials which might otherwise fall into the hands of the Axis. All of the stock of the USCC is owned by the Reconstruction Finance Corporation. There is no specific legal authority for the Federal Reserve Banks to act as fiscal agents for the USCC as such.

"Mr. Starr, of the Board of Economic Warfare, recently conferred with members of the Board's legal staff with regard to a confidential proposal now being considered, under which an executive order might be issued which would transfer the powers of the Reconstruction Finance Corporation as they relate to the United States Commercial Corporation to the Board of Economic Warfare. It is proposed in this executive order, if possible, to make clear that after such transfer the Federal Reserve Banks may continue to be utilized in performing fiscal agency functions for the USCC. Mr. Starr proposed that for this purpose the order transfer to USCC the power which the Reconstruction Finance Corporation has under the law with respect to employing Federal Reserve Banks as depositaries and fiscal agents. There is some question legally whether this would be sufficient to accomplish the desired purpose and to authorize the Federal Reserve Banks to act in this capacity. It would seem more appropriate, either in lieu of or as a supplement to such a provision of the executive order, to have the order indicate that the Secretary of the Treasury should designate the Federal Reserve Banks to act as fiscal agents of the United States pursuant to section 15 of the Federal Reserve Act in performing depositary and fiscal agency functions for the USCC.

"As indicated above, the Federal Reserve Banks are now, to some extent at least, performing fiscal agency functions for the USCC and under the proposal this procedure would be continued, but the authority for the action would be hereafter based primarily upon the request of the Secretary of the Treasury pursuant to the Federal Reserve Act. Unless there is some objection on the part of the Board, we will advise Mr. Starr of the Board of Economic Warfare that the Board has no objection to the proposal as above indicated and will request

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"that he confer with us regarding the form of the provision in so far as it affects the Federal Reserve Banks."

Approved unanimously, and Mr. Shay,
Attorney, so advised Mr. Starr today.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

McEuler
Chairman.