

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 30, 1943, at 12:00 noon.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Dreibelbis, General Attorney  
Mr. Leonard, Director of the Division  
of Personnel Administration

ALSO PRESENT: Mr. Young, President of the Federal Reserve  
Bank of Chicago

Mr. Leonard stated that Mr. Harris, Vice President in charge of the Detroit Branch of the Federal Reserve Bank of Chicago, had submitted a change in the personnel classification plan of the Branch to provide for the new position of building superintendent in the Service Department and the positions of carpenter and painter in the Maintenance Department, that the description of work in the new positions had been written to cover the increased duties resulting from the expansion of the activities of the Branch, and that the matter was being referred to at this time because of the question whether the proposal to establish the new positions represented in effect an increase in the salary of men continuing to do the same work as in the past or whether it represented the establishment of new positions calling for higher degrees

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of skill than were required for the positions previously provided in the classification plan under the designation of utility man.

Mr. Leonard stated that for the reasons set forth in a memorandum which he addressed to the Board under date of June 28, 1943, it was his recommendation that the change in the personnel classification plan be approved and that this recommendation was concurred in by the Board's Personnel Committee.

Upon motion by Mr. Szymczak, the following letter to Mr. Young, President of the Federal Reserve Bank of Chicago, was approved unanimously:

"In accordance with the request contained in a letter dated June 26, 1943, from Mr. Harris, the Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago to provide for the following new positions at the Detroit Branch:

<u>Page</u>			<u>Maximum</u>
<u>Number</u>	<u>Department</u>	<u>Title of Position</u>	<u>Annual Salary</u>
5-A	Service	Building Superintendent	\$4,000
53-D	Maintenance	Carpenter	2,700
53-E	Maintenance	Painter	2,520

"The proposed reduction from \$3,000 to \$2,700 in the maximum annual salary for the position of Carpenter at the Branch has been discussed with Mr. Harris and meets with his approval."

At this point Chairman Eccles joined the meeting.

Mr. Leonard then stated that since 1938 the Federal Reserve Banks had been paying overtime in accordance with the requirements of the Fair Labor Standards Act to all employees of the Banks except those who were in supervisory positions as interpreted by the respective Federal Reserve Banks, that under the President's "hold-the-line" Executive Order the Banks were now prohibited from paying overtime to employees in supervisory positions, and that this was resulting in some cases in the

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lower-salaried people being paid more than the supervisory personnel. He said that the matter had been under discussion with representatives of the Bureau of Internal Revenue since April of this year, that a formula had been worked out which, it was understood informally, would be approved by the Bureau of Internal Revenue, and that it was now proposed, with the concurrence of the Personnel Committee, to submit the formula in a letter to the Bureau of Internal Revenue for formal approval.

In considering the matter, Mr. Leonard said, Mr. A. D. Burford, Deputy Commissioner of Internal Revenue, had taken the position that, in view of the work which the Federal Reserve Banks were doing for the Government, there was ample justification for the approval for them of a modification of the formula relating to the payment of overtime to Government employees, and that the formula that had been worked out could be approved on that basis. Mr. Leonard then read a draft of letter which had been prepared for submission of the matter to Mr. Burford in the following form:

"The Federal Reserve Banks have been paying overtime to their employees in accordance with the standards of the Fair Labor Standards Act. With the substantial amount of overtime being worked at the Reserve Banks, this has resulted in manifest injustices in the case of the so-called exempt employees to whom the standards of the Fair Labor Standards Act do not apply and who have not been receiving overtime.

"This situation has been discussed with you and members of your staff by members of the Board's staff. In the light of those discussions and subject to your approval under the salary stabilization regulations, the Board of Governors proposes to authorize the Federal Reserve Banks

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"to pay overtime within the following limitations to so-called exempt employees:

- Subject to such further limitations or conditions as a Reserve Bank may find appropriate, a Reserve Bank may pay overtime, in accordance with the following program, to employees (including officers) who are regarded as exempt under the Fair Labor Standards Act -
1. Overtime may be paid to officers or exempt employees within the following rates
    - a. At the rate of time and one-half on the first \$2,400 of basic annual salaries up to and including \$5,000.
    - b. At the rate of time and one-half on the first \$1,800 of basic annual salaries of more than \$5,000 but not more than \$6,000.
    - c. At the rate of time and one-half on the first \$1,200 of basic annual salaries of more than \$6,000 but not more than \$7,000.
  2. Overtime shall be paid on basic annual salary and not on supplemental compensation.
  3. Subject to the over-all provision that an additional equalizing payment may be made when necessary to provide that for working the same number of hours no one will receive less compensation (including basic annual salary, overtime, and supplemental compensation, if any) than is received by another individual with the same or lower basic annual salary.

"It will be appreciated if you will advise the Board of Governors whether the proposed procedure has your approval under the salary stabilization regulations.

"Enclosed for your information is a copy of the letter which the Board of Governors plans to send to the Federal Reserve Banks upon receipt of advice that the program is approved."

The letter to the Federal Reserve Banks read as follows:

"With the increased hours of work at the Federal Reserve Banks, several of the Banks have pointed out the injustices resulting from the lengthened hours of work and the payment of overtime in accordance with the standards of the Fair Labor Standards Act with no provision for overtime to the so-called exempt employees, and have requested that some provision be made for the payment of overtime to employees who have been classified as exempt.

"Payment of overtime to such employees comes within the scope of the salary stabilization regulations issued by the Commissioner of Internal Revenue. Action to meet the situation

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"had been initiated by the Board but was necessarily suspended in view of the 'Hold-the-Line' Executive Order of April 8. In the meantime, however, the matter has been the subject of discussions with the office of the Commissioner of Internal Revenue in the effort to work out a solution to the problem. As a result of such discussions and in accordance with a program approved by the Commissioner of Internal Revenue, the Board authorizes the payment of overtime by the Federal Reserve Banks within the following limitations to so-called exempt employees.

"Subject to such further limitations or conditions as a Reserve Bank may find appropriate, a Reserve Bank may pay overtime, in accordance with the following program, to employees (including officers) who are regarded as exempt under the Fair Labor Standards Act -

1. Overtime may be paid to officers or exempt employees within the following rates

a. At the rate of time and one-half on the first \$2,400 of basic annual salaries up to and including \$5,000.

b. At the rate of time and one-half on the first \$1,800 of basic annual salaries of more than \$5,000 but not more than \$6,000.

c. At the rate of time and one-half on the first \$1,200 of basic annual salaries of more than \$6,000 but not more than \$7,000.

2. Overtime shall be paid on basic annual salary and not on supplemental compensation.

3. Subject to the over-all provision that an additional equalizing payment may be made when necessary to provide that for working the same number of hours no one will receive less compensation (including basic annual salary, overtime, and supplemental compensation, if any) than is received by another individual with the same or lower basic annual salary.

"This authorization does not require any change in a practice with respect to payment of overtime to so-called exempt employees which was in effect at time of the issuance of the salary stabilization regulations.

"The foregoing provisions have been purposely drafted in such form so as to permit each Bank to work out a program best fitted for its own situation and with the expectation that appropriate administrative procedure will prevent any abuse of the authorization. In particular, it is expected that payment

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"of overtime under the authorization will apply only to overtime worked in accordance with established hours or to overtime properly authorized or approved as being necessary. It is also expected that overtime will not be paid to officers and senior personnel for occasional or small amounts of overtime but that it will be paid only in cases where the hours have been definitely increased or where officers or senior personnel are required to work substantial amounts of overtime."

At the conclusion of the discussion, and on motion by Mr. Szymczak, the letter to Mr. Burford and draft of letter to the Federal Reserve Banks were approved unanimously, with the understanding (1) that the letter to the Federal Reserve Banks would be sent upon advice from the Bureau of Internal Revenue of approval of the formula for overtime payments, (2) that the letter to Cleveland would authorize the payment of overtime at the head office in accordance with the formula beginning June 4, and (3) that the letter to Chicago would authorize such payments at the Detroit Branch beginning April 1, 1943.

Mr. Ransom stated that Mr. Harrison, Vice President of the Federal Advisory Council, had called on the telephone stating that he had tried to reach Chairman Eccles but had been unable to do so, and that in view of the fact that Messrs. Brown and Fleming and possibly other members of the executive committee of the Federal Advisory Council would not be able to attend the meeting which was scheduled to be held in Washington on July 7 he (Mr. Harrison) would like to know whether there would be any objection on the part of the Board if the meeting were postponed with the understanding that, if anything should arise to warrant it, the meeting might take place later in the month. Mr. Ransom stated that he had assumed the responsibility of advising Mr. Harrison that the

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Board would have no objection, whereupon Mr. Harrison replied that he would advise Mr. Lichtenstein, as Secretary of the Council, accordingly.

The members of the Board who were present indicated that they were in agreement with the position which Mr. Ransom had taken.

Secretary's note: Following the meeting a telegram was received from Mr. Lichtenstein stating that the meeting had been postponed subject to the understanding set forth above.

Under date of June 25, 1943, Mr. Leonard addressed a memorandum to the Board with which he submitted a telegram received from Mr. Young, President of the Federal Reserve Bank of Chicago, in which it was stated that a CIO labor union claiming to represent a majority of the guards at the Detroit Branch had requested by letter that the Branch recognize the union as the sole, exclusive bargaining agent for all of the guards at the Branch and to set a time for negotiation, preferably on June 27. This memorandum was circulated among the members of the Board.

Mr. Dreibelbis stated that when Mr. Szymczak was in Detroit last week he discussed the matter with Mr. Harris and subsequently over the telephone with Mr. Leonard and himself (Mr. Dreibelbis), and that after the matter had been discussed by some of the members of the Board and its staff the decision was reached that the position should be taken that, since salaries at the Branch were not determined by the Branch but by the Federal Reserve Bank of Chicago subject to the approval of

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the Board of Governors, and since the National Labor Relations Act did not apply to the United States or States or political subdivisions thereof, the Board was not in a position to negotiate or to approve a negotiation by the Federal Reserve Bank or the Detroit Branch with representatives of the labor union. Mr. Dreibelbis added that this morning a telegram was received from Mr. Harris transmitting a copy of a letter received from Frank H. Bowen, Director of the National Labor Relations Board for the Seventh Region, in which it was stated that a petition for certification of representatives pursuant to Section 9(c) of the National Labor Relations Act had been filed by the International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America (UAW-CIO) involving the Branch, that Field Examiner Ruth Greenberg had been assigned to the case and in her normal course of investigation would contact the Branch, and that its cooperation with her would be appreciated. (A subsequent wire was received from Mr. Harris quoting a subsequent letter from Mr. Bowen stating that the labor union involved was the Amalgamated Plant Protection Local Union No. 114 (UAW-CIO) instead of the International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America, and that the record should be changed accordingly.)

There was agreement on the part of the members of the Board (1) that the informal position previously taken should be adhered to and (2) that Mr. Szymczak should call the National Labor Relations Board and arrange for an informal discussion of the matter by Messrs. Leonard and Dreibelbis with members of the National Labor Relations Board staff.



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It was also understood that Mr. Young would advise Mr. Harris of this decision and that Mr. Young would take the matter up with the directors of the Chicago Bank with a view to ascertaining whether they would ratify the informal actions that had been taken.

Mr. Szymczak reported that while he was at the Federal Reserve Bank of Dallas on June 21, 1943, he attended a meeting of the directors with Mr. Stroud, First Vice President and General Counsel, at which it was agreed that Mr. Stroud had recovered his health sufficiently to enable him to return to work by the end of this month. Accordingly, it was understood that Mr. Wingfield, Assistant General Attorney in the Board's Legal Division, who had been loaned to the Dallas Bank to do its legal work during Mr. Stroud's absence, would return to Washington this week.

At this point Messrs. Dreibelbis, Leonard, and Young withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 29, 1943, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on June 29, 1943, were approved unanimously.

Memorandum dated June 25, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that, effective August 2, 1943, and subject to his passing satisfactorily the usual physical examination, Carl A. Smith be appointed as an Assistant Federal Reserve Examiner on a temporary basis for an indefinite period, with basic salary at the rate of \$2,400 per annum, and with official headquarters at Little Rock,

Arkansas.

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By unanimous vote, and subject to his passing satisfactorily the usual physical examination, Mr. Carl A. Smith was appointed on a temporary basis for an indefinite period as an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Little Rock, Arkansas, and with basic salary at the rate of \$2,400 per annum, effective August 2, 1943.

Memorandum dated June 21, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that Mrs. Helen K. Berg be appointed as a stenographer in that Division on a temporary basis for a period of not to exceed three months, with basic salary at the rate of \$1,620 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding (1) that if her services prove satisfactory she will be recommended for a permanent appointment and (2) that if anything derogatory should develop in the investigation of her references her services may be terminated immediately.

Approved unanimously.

Memorandum dated June 25, 1943, from Mr. Morrill, recommending that Miss Virginia Eggemeyer be appointed as a junior file clerk in the Secretary's Office on a temporary basis for a period of not to exceed six months, with basic salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her

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duties after having passed satisfactorily the usual physical examination, with the understanding (1) that if her services prove satisfactory she will be recommended for a permanent appointment and (2) that if anything derogatory should develop in the investigation of her references her services may be terminated immediately.

Approved unanimously.

Memorandum dated June 25, 1943, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that the following increases in basic annual salaries of employees in that Division be approved, effective July 1, 1943:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Bangs, Olga W.	Interviewer	\$2,600	\$2,800
Shock, Dorothy M.	Secretary to Mr. Leonard	2,040	2,300
Poundstone, Florence M.	Clerk	2,100	2,300
Moore, June A.	Stenographer	1,800	1,920

Approved unanimously.

Letter to "The Saline Savings Bank", Saline, Michigan, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

"Reference is made to your letter of June 17, 1943, submitting for consideration of the Board the proposal of The

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"County Trust Company, White Plains, New York, to purchase assets and assume the deposit liabilities of The First National Bank of Pleasantville, Pleasantville, New York, and to move the location of its branch now operated in Pleasantville diagonally across the street into the quarters now occupied by The First National Bank.

"The Board concurs in your opinion that the transaction will not result in a change in the general character of assets of, or broadening in the functions exercised by The County Trust Company within the meaning of condition of membership numbered 5 applicable to that institution, and that the proposed change in the location of the branch can be effected within the permission previously granted The County Trust Company for the operation of a branch in Pleasantville. Therefore, the Board will interpose no objection to the consummation of the transaction substantially as proposed provided prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank is to be satisfied as to the legal aspects involved.

"It is understood that The County Trust Company will acquire at agreed true value the furniture and fixtures and the safe deposit equipment of The First National Bank of Pleasantville but, otherwise, will acquire no fixed assets, substandard securities, nor other real estate. It is understood also that the capital account of The County Trust Company is to be increased by \$200,000 in connection with the transaction, through the issuance of that amount of capital debentures."

Approved unanimously.

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

"With further reference to your letter of June 11 and our reply of June 25, 1943, there is enclosed a copy of a letter received under date of June 28, 1943, from the Commissioner of Customs with respect to the procedure for handling communications between the Federal Reserve Bank of New York and the Banque Nationale Suisse with reference to the accounts on your books in the name of the latter institution.

"As indicated in our letter of June 25, we shall be pleased, if you so desire, to endeavor to work out with the Office of Censorship and the Bureau of Customs a practicable procedure for the handling of these communications."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved: M. Scales  
Chairman.