

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 22, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 21, 1943, were approved unanimously.

Bond in the amount of \$10,000, executed under date of July 14, 1943, by George W. Stover as Federal Reserve Agent's Representative at the San Antonio Branch of the Federal Reserve Bank of Dallas.

Approved unanimously.

Memorandum dated July 19, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Agnes A. Hamm be appointed as a clerk-stenographer in that Division, 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 duties after having passed satisfactorily the usual physical examination.

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Approved unanimously, with the understanding, as recommended in a memorandum dated July 20, 1943, from Mr. Leonard, Director of the Division of Personnel Administration, that the appointment would be on a temporary basis for an indefinite period rather than on a permanent basis.

Memorandum dated July 20, 1943, from the Personnel Committee, recommending the adoption of a revised policy with respect to restrictions on annual leave for employees of the Board of Governors as set forth in the following memoranda to employees:

"Memorandum to All Employees:

"The Board's leave regulations provide that, with the approval of the head or an assistant head of a division or office, annual leave may be granted at such time or times as the condition of the work of the division or office will permit.

"Because of war time conditions, the Board has adopted the following policy which will apply until otherwise ordered:

Current Leave

1. Extended vacation leave during a calendar year is limited to 15 calendar days unless the first or last day of the annual leave is a legal holiday, in which case the extended vacation leave may run for 16 days. In the case of employees traveling unusual distances to make a visit home, some allowance for additional traveling leave may be made with the approval of the head of the division or office.

2. Other annual leave in shorter periods may be granted from time to time provided that the total annual leave taken during the calendar year does not exceed 26 work days (or a proportionate lesser number in the case of employees who were employed subsequent to January 1 of the current year).

Leave Accumulated Prior to January 1

3. Employees with annual leave accumulated from prior years may take not to exceed 8 hours'

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"annual leave a month in amounts of 4 hours or less at a time, without reference to the limit of 26 days referred to in paragraph 2, when such leave is taken separately from other annual leave. Such leave shall be charged to accumulated leave.

Exceptions to Prevent Undue Hardship

4. If an exception to the foregoing policy is considered necessary in order to prevent undue hardship or to meet an unusual situation, the matter will be considered on application of an employee to his or her division or office head to be forwarded with the latter's recommendation to the Board's Personnel Committee for decision.

"As a war measure, the Director of the Office of Defense Transportation has requested that all annual leaves which involve travel throughout the period January 15-December 15 be spaced in such a way as to avoid holiday periods and to cause leaves to begin and end during the middle of the week. The Director has been assured of the Board's cooperation in this matter and it is expected that leave involving public transportation will be arranged accordingly."

"Memorandum to Guards, Charwomen, and Laborers:

"Paragraph 3 of the memorandum dated July 23, 1943, regarding annual leave, reads as follows:

3. Employees with annual leave accumulated from prior years may take not to exceed 8 hours' annual leave a month in amounts of 4 hours or less at a time, without reference to the limit of 26 days referred to in paragraph 2, when such leave is taken separately from other annual leave. Such leave shall be charged to accumulated leave.

"Because the hours of duty and the nature of the assignments of the guards, charwomen, and laborers are such that they would not be able to derive much benefit from the above provision, the following special provision has been made for this group of employees:

In lieu of the provisions of paragraph 3 quoted above, guards, charwomen, and laborers, who have leave accumulated from prior years, may be permitted to take up to 6 days of such accumulated leave during a year without reference to the limit of 26 days referred to in paragraph 2 of the Board's memorandum dated July 23, 1943, Z-1136.

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"The 6 days' accumulated leave may be taken only at such times as the work will permit."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 16, 1943, the Board of Governors approves the payment of a salary to Mr. Michael J. McLaughlin as Manager, Accounting Department, at the rate of \$6,500 per annum for the period July 16, 1943 to March 31, 1944, inclusive."

Approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Detroit Branch as submitted with your letter of July 15, 1943."

Approved unanimously.

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

"There is enclosed a copy of a letter addressed to the Old First National Bank, Bluffton, Indiana, under date of July 17, 1943, by Mr. Francis C. Brown, Solicitor, Federal Deposit Insurance Corporation, regarding the issuance of a certificate of deposit payable 6 or 12 months after date.

"You will note that the Old First National Bank has referred to an opinion supposed to have been rendered by General Counsel of the Federal Reserve Board to the effect that such a certificate of deposit becomes payable upon demand at the expiration of the 6 months' period, and that Mr. Brown's letter suggests that the bank communicate with the Federal Reserve Bank of its district

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"in this connection. Our files do not indicate that the Board's General Counsel ever rendered such an opinion or that there has ever been any correspondence between the Board and this bank with respect to this question. On the contrary, the Board has several times taken the position that a certificate having alternate maturities continues to be a time certificate after the expiration of the earlier maturity dates. In this connection, your attention is called to the rulings of the Board published in the Federal Reserve Loose-Leaf Service at #6280, #6281, and #6330.

"It is possible that the bank here involved may have seen and misinterpreted a letter written by the Board to Mr. R. A. McKinley, Director of the Department of Financial Institutions of the State of Indiana under date of May 27, 1936, a copy of which is enclosed, in which there was some discussion of the rate of interest which may be paid upon a certificate of deposit having alternate maturities. A ruling of the Board regarding the maximum rate of interest payable in such cases was published in the July 1936 issue of the Federal Reserve Bulletin at page 548."

Approved unanimously.

Letter to Mr. Kennel, Assistant Counsel of the Federal Reserve Bank of Boston, reading as follows:

"Your letter of July 1st enclosed a copy of a letter from The Provident Institution for Savings, Boston, Massachusetts, raising three questions regarding section 8(c) of Regulation W.

"The first question is whether the exception would apply to a case where the bank is satisfied that the proceeds of the loan are to be used for educational expenses and that the borrower's income available for the purpose is such that he could not reasonably meet the requirements of the regulation, if the borrower proposes to secure his loan with collateral in the form of investments and if the bank accepts his assertion that unless he obtains the loan he will be forced to sell a part of his investments at a sacrifice. The question turns on whether a failure to obtain the loan would cause 'undue hardship', and if the bank decides in good faith, on the basis of all the facts recited in the borrower's statement, that he would

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"be forced to sell his investments at a sacrifice, it would be proper for the bank to decide that this circumstance would give rise to 'undue hardship' and that consequently the loan would come within the exception.

"With regard to the other part of the question, if the borrower does not have investments of his own but is authorized by a friend to pledge securities which belong to the latter, the exception would apply as though there were no pledge of securities.

"The last question is whether the following statements comply with section 8(c):

'I certify

'(1) That the proceeds are to be used for bona fide educational expenses;

'(2) That my income available for the purpose is such that I could not reasonably meet the requirements of this regulation otherwise applicable; and

'(3) That failure to obtain the extension of credit would cause undue hardship to me or my dependents.'

"These statements merely paraphrase section 8(c) and do not 'set forth specifically the facts relied upon to bring the loan within this exception'. The facts upon which the conclusion is based, rather than the conclusion itself, should be stated."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. Steeles
Chairman.