

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, November 26, 1943, at 10:30 a.m.

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

Mr. Morrill, 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 November 25, 1943, were approved unanimously.

Telegrams to Messrs. Paddock, Leach, and McLarin, Presidents of the Federal Reserve Banks of Boston, Richmond, and Atlanta, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on November 23, the Federal Reserve Banks of Atlanta, Chicago, and Minneapolis on November 24, 1943, and the

11/26/43

-2-

Federal Reserve Banks of Boston, Richmond, and Dallas today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum of this date from Mr. Morrill recommending that Mrs. Vera Petrovich be appointed as a cafeteria helper in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of \$1,080 per annum, effective November 26, 1943.

Approved unanimously.

Memorandum dated November 23, 1943, from Mr. Morrill recommending that the basic salary of Miss Gweneth Crawford, telephone operator in the Secretary's Office, be increased from \$1,440 to \$1,560 per annum, effective December 1, 1943.

Approved unanimously.

Memorandum dated November 22, 1943, from Mr. Paulger, Chief of the Division of Examinations, referring to his memorandum of October 7, 1943, and stating that it was his intention that the \$7 per diem to be allowed to examiners in connection with the current examination of the Federal Reserve Bank of New York would also be allowed the examiners participating in the examination of the Buffalo Branch during the period they were in Buffalo. The memorandum recommended that this arrangement be approved by the Board.

Approved unanimously.

Letter to the Secretary of the Interdepartmental Committee on Employee Investigation, Department of Justice, reading as follows:

11/26/43

-3-

"This refers to Mr. Gaston's letter of November 9 to Chairman Eccles transmitting a report of an investigation by the Federal Bureau of Investigation concerning Cynthia Elizabeth Spilman, an employee of the Seattle Branch of the Federal Reserve Bank of San Francisco. The case raises a question as to whether employees of the Federal Reserve Banks come within the scope of Executive Order 9300.

"The Board of Governors is of the opinion, and has been so advised by its counsel, that while Executive Order 9300 covers employees of the Board of Governors of the Federal Reserve System, it is not applicable to employees of the Federal Reserve Banks since they are not employees 'in or under' the Federal Government. It will be appreciated if your Committee will advise the Board whether it concurs in the conclusion that the Executive Order is not applicable to employees of the Federal Reserve Banks.

"Notwithstanding the fact that the Board considers that the Executive Order does not apply to employees of the Federal Reserve Banks, the Board proposes to deal administratively with the case of Miss Spilman and any other similar cases in accordance with the general policies of the Interdepartmental Committee. It will be appreciated, therefore, if you will continue to advise the Board of any cases which come to your attention of subversive activity on the part of employees of the Federal Reserve Banks.

"In considering the distinction between the employees of the Board of Governors and of the Federal Reserve Banks the following differences, among others, are significant. The Board's employees are employees of a Board created by and responsible to Congress. Employees of the Federal Reserve Banks, on the other hand, are employees of corporations which are chartered by Congress and the capital stock of which is owned by the member banks of the respective districts. Indicative of the distinction between the two classes of employees is the fact that in computing retirement allowances under the Civil Service Retirement Act, service with the Board of Governors is considered as creditable service but service with a Federal Reserve Bank is not.

"In her statement to the Special Agent of the Federal Bureau of Investigation, Miss Spilman stated that she was employed by the government and that she understood that she was not an employee of the Federal Reserve Bank. Miss Spilman's understanding of her situation was incorrect. Miss Spilman is an employee of the Seattle Branch and is assigned to the Custodian Department. Apparently her particular assignment is in handling collateral being held for the Reconstruction Finance Corporation. The Federal Reserve Banks act as fiscal agents for the Treasury and various Government agencies and receive reimbursement for certain expenses (including salaries) incurred in handling such matters. The reimbursement, however, is to the bank for expenses

11/26/43

-4-

"and any employees for whose salary the Reserve Bank receives reimbursement in whole or in part are employees of the Federal Reserve Bank and not employees of the various Government departments or establishments for which the Reserve Bank is acting as fiscal agent.

"The Board understands that in accordance with the position of the Department of Justice, as expressed in General Memorandum No. 6 of your Committee, the reports of investigation made by the Federal Bureau of Investigation should not be shown to the employee or to any persons other than officials of the Government who are officially concerned with the contents thereof. Accordingly, the report of investigation concerning Miss Spilman will be kept in the Board's confidential files and will not be shown to any officer or employee of the Federal Reserve Bank of San Francisco."

Approved unanimously.

Letters to the "Bank of Cairo", Cairo, Missouri, "Commerce-Warren County Bank", Warrenton, Missouri, and "Houston Land and Trust Company", Houston, Texas, 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.

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of "The Citizens State Bank", Hugo, Oklahoma, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas, effective if and when the bank is duly authorized to commence business by the appropriate State authorities. The telegram requested that the Federal Reserve Bank advise the applicant

11/26/43

-5-

bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram contained the following additional statement:

"Before issuance of Federal Reserve Bank stock, it is assumed that you will satisfy yourself that the bank's proposed capital of \$50,000 has actually been paid in."

Approved unanimously.

Telegram to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Your wire regarding loan on stock of distillery company. Assume case is American Distilling Company in which event facts are not quite as stated but original loan would be subject to Regulation U. As to additional advance against warehouse receipts, questions would be (1) what is purpose of loan and (2) is it secured by stock directly or indirectly. Also member bank may need to consider section 3 (n)."

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

"I am glad to have your letter of November 17 with regard to the sight drafts which the Commodity Credit Corporation is now issuing in making dairy feed payments. We all realize that the drafts are very poorly designed and are not at all adapted to efficient handling by the System.

"Mr. Smead had some correspondence with Mr. Griffin of the Reconstruction Finance Corporation on the subject and since the receipt of your letter he has arranged with Mr. Griffin to get in touch with Mr. Rathell of the Commodity Credit Corporation and arrange a meeting of the three of them at as early a date as practicable to discuss this

11/26/43

-6-

"whole matter. I am sure that we will have the cooperation of Mr. Griffin in this matter and we will do what we can to induce the Corporation to adopt a form of draft that will lend itself to convenient handling by the Banks if this program is to be continued in operation.

"I shall let you hear from me again after we have contacted representatives of the Commodity Credit Corporation."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. ...
Chairman.