

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 18, 1944, at 11:00 a.m.

PRESENT: Mr. Szymczak
Mr. McKee
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 17, 1944, were approved unanimously.

Memorandum dated May 16, 1944, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that the basic salary of Mrs. Helen Braden, nurse in charge of the Board's emergency rooms and health service, be increased from \$1,860 to \$1,980 per annum, effective June 1, 1944.

Approved unanimously.

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

"In accordance with the request contained in your letter of May 13, 1944, the Board approves the appointment of Dwight L. Crays, at present a Federal Reserve Examiner on the staff of the Board of Governors, as an examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective and also as to the salary rate."

Approved unanimously.

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

"This is in reply to your letter of April 7 to Mr. Leonard, regarding payment of overtime to exempt employees. We regret that we have not been able to answer your questions before this but Mr. Leonard and our counsel wished to discuss the questions with the representative of the Office of the Commissioner of Internal Revenue with whom the original authorization had been worked out, and were not able to arrange for such a meeting until just the other day.

"The specific questions raised in your letter were discussed and we were informed that:

1. Under the over-all provisions (paragraph 3 of S-670) payments to exempt employees may be made to compensate for adjustments for back overtime pay to employees properly reclassified from exempt to nonexempt on the basis of findings of the Wage and Hour Division of the Department of Labor.

2. The over-all provision authorizing additional equalizing payment may be used to determine an hourly overtime rate.

In the example cited in your letter, both an exempt and a nonexempt employee receive the same salary of \$275 a month and the hourly rate of overtime for the exempt employee would be \$1.73 under the provisions of paragraph (1) of S-670, and the hourly rate of overtime for the nonexempt employee would be \$2.38, being time and one-half on the whole salary. It was agreed that the exempt employee might be paid overtime at the rate of \$2.38 per hour even though the two employees do not actually work the same number of hours overtime. (It is felt, however, that the nonexempt employees whose salaries are used as the basis for the equalizing payments should be employees who work substantial amounts of overtime and not those who work overtime only infrequently or in comparatively small amounts.)

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"3. The over-all provision authorizing an additional equalizing payment may not be used to pay the same hourly rate of overtime to an exempt employee as to a nonexempt employee who receives a lower salary than the exempt employee.

It was agreed, however, that, as suggested in your letter, overtime may be paid to an exempt employee at the hourly rate permitted by paragraph (1) of S-670 up to the point where the total compensation of the exempt and nonexempt employee would be equal, and that thereafter under the over-all equalizing provision overtime may be paid the exempt employee at the rate paid the nonexempt employee. In the example cited in your letter, the hourly rate of overtime for the exempt employee would be \$1.73 per hour for the first 8.9 hours of overtime per week and at the rate of \$2.38 per hour for overtime in excess of 8.9 hours of overtime per week. (In making comparisons between exempt and nonexempt employees, the same reservations apply as are indicated in the parenthetical comment at the end of paragraph 2.)

"We trust that these interpretations will prove helpful. If we can be of any further assistance, please let us know. Please let us know also what you decide to do about overtime and how it works out."

Approved unanimously.

Letter to the board of directors of the "Bank of Urich", Urich, Missouri, 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 and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

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

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

"Relet May 15. In view of present asset condition of Union Trust Company, St. Petersburg, Florida, and character of bank's management, and in accordance with your recommendation, Board will interpose no objection to execution of proposed lease agreement with option to purchase, it being understood that matter will be re-submitted to Board prior to actual purchase."

Approved unanimously.

Letter to Mr. Wheeler McDougal, Chief of the Division of Liquidation, Federal Deposit Insurance Corporation, Chicago, Illinois, reading as follows:

"This refers to your letter of May 2, 1944, relating to the release to your Corporation of securities of the trust department of The National Bank of Westfield, Westfield, New York, held by the Superintendent of Banks of the Banking Department of New York State.

"The last paragraph of section 11(k) of the Federal Reserve Act provides that any national banking association desiring to surrender its right to exercise trust powers may file with the Board of Governors of the Federal Reserve System a certified copy of a resolution of its board of directors signifying such desire. The paragraph provides further that upon receipt of such resolution, the Board of Governors, after satisfying itself that such bank has been relieved in accordance with State law of all fiduciary duties, may in its discretion issue a certificate that such bank is no longer authorized to exercise the powers granted by this subsection. Upon the issuance of such certificate, the bank shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts.

"You will note that it is necessary for the Board to satisfy itself that the national bank has been relieved

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"in accordance with State law of all fiduciary duties, and the usual practice is to request the Comptroller of the Currency upon the occasion of the next regular examination of the national bank to have the examiner make an investigation of its trust department records in order to determine whether it appears that the bank has ever undertaken to act in any fiduciary capacity, and, if so, whether in the case of each trust accepted or undertaken, it appears from the bank's records:

(1) That all assets and papers belonging to the trust estate have been delivered by the bank to the person or persons entitled to receive them; and

(2) that the duties of the bank as fiduciary have been completely performed and that the bank has been discharged or otherwise properly relieved of all its duties as fiduciary.

"We are informed that The National Bank of Westfield was placed in voluntary liquidation in 1940, and was absorbed by the Union Trust Company of Jamestown, Jamestown, New York, a nonmember bank. In view of this, the Comptroller of the Currency will not have occasion to make a regular examination of the national bank and it would seem more appropriate to request your Corporation to have one of your examiners develop the information required by the Board as a prerequisite to the issuance of a formal certificate terminating the right of the national bank to exercise fiduciary powers. Therefore, we have today addressed a letter to the Comptroller of the Currency requesting advice as to whether there is any objection to the matter being handled in this manner, and upon receipt of such advice we will communicate with you further. In the meantime, in order to expedite this matter and in order to comply with the requirements of law, it will be appreciated if you will arrange to have the board of directors of the national bank execute a resolution signifying the bank's desire to surrender its right to exercise trust powers."

Approved unanimously, together with letters to the Comptroller of the Currency requesting advice as to whether there was any objection to the matter being handled in the manner outlined in the above letter

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and to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, enclosing copies of the letters to Mr. McDougal and the Comptroller of the Currency for his information.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"Within the last few days requests have been received from Congressmen for a draft of a bill which would carry out the Board's recommendations for bank holding company legislation as made in its Annual Report for 1943. A draft of such a bill had been prepared by the Board's staff but the circumstances have not been such that the Board felt it could present the draft to Congress in concrete form. In response to a request from Congressman Patman a copy is being furnished to him for his information. We do not know at this time when or whether the bill will be introduced in the form in which it has been prepared, but for your confidential information in the meantime there is enclosed a copy.

"At the meeting last Monday of the Federal Advisory Council with the Board, the Council asked for copies of the bill, but in view of the uncertain legislative situation it did not seem possible at that time to comply with the Council's request. However, if we should learn that the bill is about to be introduced or has been introduced, we will advise you promptly, and you will be free then to bring it to the attention of the member of the Federal Advisory Council from your District, as well as to the attention of your board of directors."

Approved unanimously.

Letter to Honorable Wright Patman, House of Representatives, reading as follows:

"Chairman Eccles, who is temporarily away, has asked me to acknowledge your letter of May 10, 1944. In response to your request, copies are enclosed of a draft of bill which it is believed would carry out the recommendations

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"for bank holding company legislation made by the Board in its Annual Report for 1943.

"The draft was prepared with a view to incorporating holding company provisions in one section of the Federal Reserve Act which would become section 23A, a section now devoted to 'Relations with Affiliates' of member banks. The present requirements of section 23A would become section 23B and would not be changed substantially except that they would be made applicable to insured banks rather than only to member banks.

"If you should wish any information or explanation with respect to the draft or any of its provisions, you may communicate with the Board's General Attorney, Mr. J. P. Dreibelbis."

Approved unanimously.

Memorandum dated May 17, 1944, from Mr. Morrill recommending, in view of the fact that it will be necessary to maintain a substantial amount of change in the cafeteria when its operations are taken over by the Board on June 1, 1944, that the Board authorize the establishment of a cash fund of \$400 to be placed in the custody of the manager of the cafeteria, it being understood that appropriate steps will be taken to insure proper accounting for funds handled in the cafeteria.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. S. Byrnes
Member.