

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 14, 1946, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Evans

Mr. Carpenter, Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Chairman

As stated in the minutes of the meeting of the Board on June 12, 1946, Mr. Vardaman was absent on official business.

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Telegrams to Messrs. Treiber and Blair, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Mangels, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 11, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on June 13, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 13, 1946, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that Miss Helene L. Kearney, be appointed as his secretary, and that her salary

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be increased from \$2,650 to \$2,980 per annum, effective at the beginning of the first pay roll period following approval by the Board.

Approved unanimously, effective  
June 16, 1946.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Richmond and its Branches for the period June 1, 1946, through May 31, 1947, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your telegram of June 13, 1946:

| <u>Name</u>             | <u>Title</u>                    | <u>Annual Salary</u> |
|-------------------------|---------------------------------|----------------------|
| Edward A. Wayne         | Vice President                  | \$14,000             |
| Roger W. Mercer         | Vice President                  | 10,000               |
| Elbert A. Kincaid       | Vice President                  | 9,000                |
| Claude L. Guthrie       | Vice President and<br>Cashier   | 10,000               |
| Clair B. Strathy        | Vice President and<br>Secretary | 9,000                |
| Edward Waller, Jr.      | Assistant Cashier               | 7,800                |
| Waller W. Dillard       | Assistant Cashier               | 7,000                |
| Albert S. Johnstone     | Assistant Cashier               | 6,600                |
| Alan T. Bowler          | Assistant Cashier               | 6,600                |
| Joseph M. Nowlan        | Assistant Cashier               | 6,000                |
| R. S. Brock, Jr.        | Auditor                         | 8,000                |
| Maxwell G. Wallace      | Counsel                         | 9,000                |
| <u>Baltimore Branch</u> |                                 |                      |
| W. R. Milford           | Managing Director               | 14,000               |
| John R. Cupit           | Cashier                         | 8,400                |
| John A. Johnston        | Assistant Cashier               | 6,600                |
| Donald F. Hagner        | Assistant Cashier               | 6,600                |
| Adolph C. Wienert       | Assistant Cashier               | 5,200                |

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"Charlotte Branch

| <u>Name</u>         | <u>Title</u>      | <u>Annual Salary</u> |
|---------------------|-------------------|----------------------|
| W. T. Clements      | Managing Director | \$ 9,000             |
| Robert L. Cherry    | Assistant Manager | 6,500                |
| Robert L. Honeycutt | Assistant Cashier | 5,400                |

"As indicated in the Board's telegrams of March 1 and May 3, and letter of May 23, 1946, the following salaries have been approved previously for the period ending May 31, 1947:

|                   |                           |          |
|-------------------|---------------------------|----------|
| Hugh Leach        | President                 | \$25,000 |
| J. S. Walden, Jr. | First Vice President      | 18,000   |
| N. L. Armistead   | Chief Examiner            | 6,000    |
| S. A. Ligon       | Cashier, Charlotte Branch | 6,000"   |

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of St. Louis and its Branches for the period June 1, 1946, through May 31, 1947, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your telegram of June 13, 1946:

| <u>Name</u>       | <u>Title</u>                    | <u>Annual Salary</u> |
|-------------------|---------------------------------|----------------------|
| Chester C. Davis  | President                       | \$25,000             |
| F. Guy Hitt       | First Vice President            | 18,000               |
| Olin M. Attebery  | Vice President                  | 16,000               |
| C. M. Stewart     | Vice President and<br>Secretary | 10,000               |
| Wm. E. Peterson   | Vice President                  | 10,000               |
| L. H. Carstarphen | General Counsel                 | 9,000                |
| S. F. Gilmore     | Assistant Vice President        | 8,800                |
| F. N. Hall        | Assistant Vice President        | 7,000                |
| G. O. Hollocher   | Assistant Vice President        | 6,300                |
| Howard H. Weigel  | Assistant Vice President        | 7,000                |
| L. K. Arthur      | Assistant Vice President        | 5,000                |
| J. H. Gales       | Assistant Vice President        | 7,000                |
| J. C. Wotawa      | General Auditor                 | 7,000                |

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"Little Rock Branch

| <u>Name</u>      | <u>Title</u>                          | <u>Annual Salary</u> |
|------------------|---------------------------------------|----------------------|
| Arthur F. Bailey | Vice President<br>(Manager of Branch) | \$ 9,000             |
| Clifford Wood    | Assistant Manager                     | 5,600                |
| Clay Childers    | Assistant Manager                     | 4,800                |

Louisville Branch

|               |                                       |       |
|---------------|---------------------------------------|-------|
| C. A. Schacht | Vice President<br>(Manager of Branch) | 9,500 |
| Fred Burton   | Assistant Manager                     | 6,000 |
| S. B. Jenks   | Assistant Manager                     | 4,240 |
| L. S. Moore   | Assistant Manager                     | 4,400 |

Memphis Branch

|                |                                       |        |
|----------------|---------------------------------------|--------|
| W. B. Pollard  | Vice President<br>(Manager of Branch) | 10,000 |
| S. K. Belcher  | Assistant Manager                     | 6,000  |
| C. E. Martin   | Assistant Manager                     | 5,750  |
| H. C. Anderson | Assistant Manager                     | 4,400" |

Approved unanimously.

Letter to the board of directors of "Bank of Northumberland, Incorporated, of Heathsville, Virginia", Heathsville, Virginia, 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 Richmond. The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds and other obligations. Attention is invited to the fact that if the bank

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"desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

"The Board of Governors is advised that the bank has agreed with the Federal Deposit Insurance Corporation to increase its common capital to not less than \$35,000 when the presently outstanding preferred stock, having a par value of \$6,500 and held by the Reconstruction Finance Corporation, is retired. It will be expected, of course, that this agreement will be fulfilled."

Approved unanimously, together with a letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Bank of Northumberland, Incorporated, of Heathsville, Virginia, Heathsville, Virginia, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking for the Commonwealth of Virginia, for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It has been noted, however, that proper provision for losses will be made by the bank."

Letter to the board of directors of "College Station State Bank", College Station, Texas, 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

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for the appropriate amount of stock in the Federal Reserve Bank of Dallas.

The letter also contained the following special comment:

"It appears that the bank possesses the power to issue and sell investment certificates, which power is not necessarily required in the conduct of a banking business. Attention is called to the fact that if the bank should desire to exercise such power, it will be necessary, under condition numbered 1, to obtain the permission of the Board of Governors before doing so.

"The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to three months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System."

Approved unanimously for transmission  
through the Federal Reserve Bank of Dallas.

Letter to Senator James M. Mead, Chairman, Special Committee Investigating the National Defense Program, Senate Office Building, Washington, D. C., reading as follows:

"This is in reply to your letter of May 25, 1946, to Chairman Eccles requesting information regarding the Board's inspection and investigation systems. The reply is written in the light of a recent conversation which Mr. Leonard, Director of the Board's Division of Personnel Administration, had with Mr. Flanagan, Assistant Counsel for your Committee.

"Our comments fall naturally into two groups: (1) those pertaining to the Federal Reserve Banks; and (2) those pertaining to the Board's own organization.

"Federal Reserve Banks

"Under the provisions of the Federal Reserve Act the Board has general supervision over the Federal Reserve Banks

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"and is required to order an examination of each Federal Reserve Bank at least once a year. These examinations are conducted by a staff of examiners in the employ of the Board and the Board has had such a staff since it was established in 1914. The Director of the Board's Division of Examinations, who, as is the case with the heads of the other Divisions, reports directly to the Board of Governors, is charged with the responsibility of conducting these examinations. The Board's staff of field examiners consists at present of 8 examiners and 21 assistant examiners, who are in constant travel status examining the Federal Reserve Banks. This force is supplemented as occasion demands by temporary assignments of other examiners from the Board's staff in Washington. In the course of examinations the examiners verify the assets and liabilities of the Reserve Banks, check income and expenses, and review operations from the point of view of efficiency, expense, and conformity with the provisions of law and the Board's regulations.

"A report of each examination addressed to the Board of Governors of the Federal Reserve System is forwarded by the examiner in charge of the examination to the Director of the Board's Division of Examinations who, after reviewing the report, submits it to the Board of Governors with a recommendation as to what action, if any, should be taken by the Board as a result of the examination. Should the examination develop criminal irregularities the matter would be reported to the Department of Justice for such further investigation and action as deemed appropriate. Should any criminal irregularities have developed between examinations a check would be made to see whether the matter had been properly reported to the Department of Justice. In such cases the Board would also be satisfied that appropriate administrative action had been taken by the Bank.

"Should the report disclose the advisability of administrative action by the Board with respect to other matters, they would be taken up by the Board of Governors with the executive management, or, if of sufficient importance, directly with the Board of Directors of the Bank.

"It is the established procedure for the examiner in charge to discuss with the Chairman of the Board of Directors and the President of the Federal Reserve Bank the results of the examination and to leave with them for the information of the directors and the managing officers copies of his official report to the Board of Governors.

"Close relations are maintained between the Board's Division of Examinations and the auditing departments of the

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respective Federal Reserve Banks. The auditors of the Reserve Banks are responsible directly to the Board of Directors through the Chairman, who is appointed by the Board of Governors. During the course of an examination the examiners review the work of the auditing department between examinations and the auditing departments of the Reserve Banks submit currently to the Board's Division of Examinations in Washington copies of the reports of their audits.

"The qualifications required for senior members of the staff examining the Federal Reserve Banks include, in addition to character, judgment, and general ability, knowledge of the statutory provisions and regulations governing the operations of the Reserve Banks and knowledge of bank accounting. It has been the general practice to bring in men at the junior and intermediate levels and to train them on the job for positions of higher responsibility.

"In addition to information developed by the Division of Examinations, the Division of Bank Operations obtains periodic and frequent reports from the Reserve Banks as to their operations and members of the staff of the Division visit the Reserve Banks periodically to study operations, particularly costs and allocation of expenses. They submit their reports directly to the Director of the Division of Bank Operations.

#### "Board's Staff

"The Board has no investigative system pertaining to its own organization.

"The Board has a small and compact organization with a staff of approximately 475. All of the members of the staff are stationed in the Board's building in Washington except for the examiners referred to above who are in constant travel status examining the Federal Reserve Banks.

"The head of each of the Divisions of the Board's staff reports directly to the Board and because of the smallness and nature of the organization and the fact that the Board Members are full time officers of the Government in Washington they are in a position to know and follow more closely the work being done than would be possible in some larger organizations. In addition, there are two units which cut across the Board's organization, the Budget Officer and the Division of Personnel Administration.

"The various Divisions submit their proposed budgets to the Board through the Budget Officer, who, as Director



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"of the Division of Administrative Services, is also responsible for the control of expenses within the budget as approved by the Board. All proposed personnel actions are submitted to the Board for approval on the basis of the qualifications of the individuals involved and all such matters are submitted to the Board through the Division of Personnel Administration.

"As you know, the Board does not operate on appropriated funds but under the law its expenses are met by assessments levied upon the Federal Reserve Banks. The Board's accounts and expenses are audited regularly and periodically by the auditor of one of the Federal Reserve Banks designated for that purpose by the Board of Governors. This assignment is rotated from time to time in order that the auditors of various Federal Reserve Banks may participate in the audits and in order that fresh viewpoints may be obtained.

"Should any criminal irregularity develop in the Board's staff the matter would be promptly reported to the Department of Justice for investigation. Any administrative action by reason of irregularities or deficiencies of employees would be taken at the appropriate level within the respective Divisions, by the Board's Personnel Committee which consists of members of the Board, or by the Board itself, as circumstances might warrant.

"We trust that this information serves your purpose. If not, please let us know or have members of your staff get in touch with Mr. Leonard, Director of the Board's Division of Personnel Administration."

Approved unanimously.

Telegram to the Presidents of all the Federal Reserve Banks,

reading as follows:

"In accordance with action taken by Reserve Banks under Section 3(a) of Regulation D, Board approves weekly reserve computation period ending Thursday, instead of Friday as at present, for all central reserve and reserve city banks, effective with reserve computation period beginning June 22."

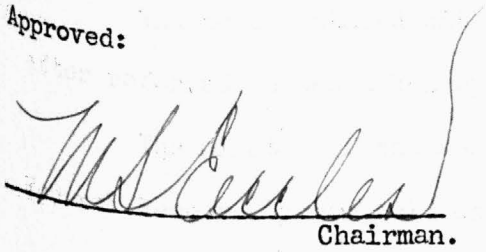
Approved unanimously.

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Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.