

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 31, 1946, at 10:45 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Smead, Director of the Division
of Bank Operations
Mr. Leonard, Director of the Division
of Personnel Administration

Some time ago Mr. Paulger, Director of the Division of Examinations, had indicated his intention to retire from active service in the Spring of 1947 and there had been several informal discussions by the members of the Board of changes that should be made in the official staff to fill the vacancy which Mr. Paulger's departure would leave. This meeting had been called for the purpose of taking action in accordance with the informal conclusions that had been reached.

It was the feeling of the members of the Board that, in order to give Mr. Paulger's successor an opportunity to become familiar with his responsibilities as Director of the Division of Examinations and to get as much assistance from Mr. Paulger as possible while he was still a member of the staff, he should be made a Special Adviser to the Board, effective August 1, 1946, and that his successor should be appointed as of that date.

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Accordingly, upon motion by Mr. Szymczak, and by unanimous vote, the following actions were taken, effective as of August 1, 1946:

1. Mr. Paulger was appointed Special Adviser to the Board, he and his Secretary, Mrs. Margaret C. Payne, were transferred to the offices of the members of the Board, and their office was changed from its present location to rooms 2001 and 2015 at the east end of the Board Members' Section on the second floor.
2. Mr. Leonard, Director of the Division of Personnel Administration, was appointed (a) 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 (b) Director of the Division of Examinations to succeed Mr. Paulger.
3. Miss Helene L. Kearney, Secretary to Mr. Leonard, was transferred from the Division of Personnel Administration to the Division of Examinations as Secretary to the Director of the Division.
4. Mr. Nelson, Assistant Director of the Division of Administrative Services, was appointed Director of the Division of Personnel Administration, with salary at the rate of \$10,500 per annum.
5. Mrs. Phyllis E. Stewart, Secretary to Mr. Nelson, was transferred from the Division of Administrative Services to the Division of Personnel Administration as Secretary to the Director of the Division.
6. The salary of Mr. Johnson, Personnel Officer, was increased from \$7,581 to \$8,059.80 per annum.

In taking these actions it was understood that Messrs. Paulger and Leonard would be of every possible assistance to their successors in the discharge of their new duties and responsibilities and that Mr. Leonard would accompany

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Mr. Nelson to the meetings of the Presidents' Conference Subcommittee on Personnel Classification and Job Evaluation to be held in September and October of this year.

Mr. Vardaman stated that Secretary of the Navy Forrestal had offered to talk to the Board's employees, at a time agreeable to the Board, on his recent trip around the world and the atomic bomb experiments at Bikini.

It was agreed unanimously that Mr. Vardaman should invite Secretary Forrestal to speak to the employees of the Board tomorrow afternoon at 4:00 o'clock.

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 23, 1946, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on July 24, 26, 29, and 30, 1946, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated July 24, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Geraldine M. Stull be appointed as a Clerk-Stenographer in that Division, on a temporary indefinite basis, with a salary at the rate of \$2,394 per annum, effective as of the date on

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which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Miss Stull would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated July 29, 1946, from Mr. Vest, General Counsel, recommending, for the reasons stated therein, that there be added to the non-personal budget of the Legal Division, for traveling expenses, the additional amount of \$1,000, making a total of \$2,000 for that item for the year 1946.

Approved unanimously.

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

"Referring to your letters of July 12 and 26, 1946, the Board of Governors approves payment to your Counsel, Squire, Sanders & Dempsey, of a bill totaling \$1,517.36, dated July 9, 1946, for special services and for cash disbursements during the first half of 1946 in connection with the purchase by your bank of certain premises in Pittsburgh and effecting modification of leases held by tenants therein."

Approved unanimously.

Letter to Mr. Gentry, First Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Dallas and the Houston and San Antonio Branches, as submitted with your letter of July 2, 1946, and amended by your letter of July 26."

Approved unanimously.

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

"This refers to your letter of July 15 and the accompanying memorandum dated June 28 regarding the penalties of approximately \$766.45 incurred by Citizens Bank of Havre, Havre, Montana, as a result of deficiencies in reserves since the bank was admitted to membership in January 1943.

"It is noted from the memorandum that your examiners in previous examinations failed to check the bank's records with its reports of deposits to see whether the bank was properly reporting its deposits for reserve purposes. It is also noted that discrepancies between the member bank's call reports and its reports of deposits for reserve purposes had been found in your Minneapolis office and reported to the member bank, but not followed up to see that the discrepancies were corrected. It is noted that the report of examination as of May 11, 1946, indicates that instructions have been given to the member bank as to the proper method of preparing future reports. It is assumed other necessary steps have been taken to avoid such occurrences in the future.

"In the circumstances set forth in the memorandum, the Board authorizes your Bank not to make the assessments for any deficiencies in reserves prior to July 1946."

Approved unanimously.

Letter to "The First National Bank of Circleville", Circleville, Ohio, reading as follows:

"This refers to the resolution adopted on February 9, 1946, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

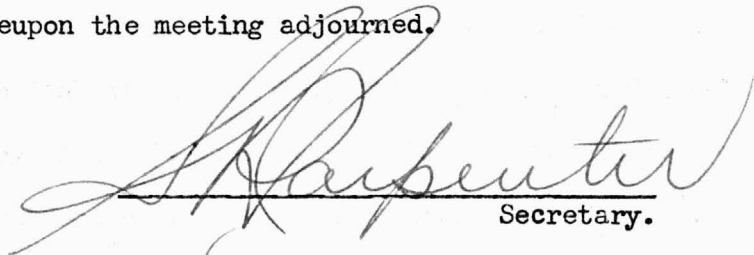
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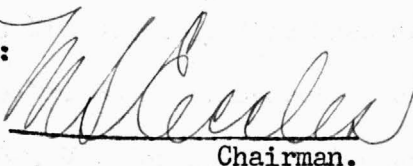
"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) 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, and (3) shall not exercise hereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k)."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.