

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 10, 1947.

PRESENT: Mr. Eccles, Chairman  
Mr. Draper  
Mr. Evans  
Mr. Vardaman  
Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 9, 1947, were approved unanimously.

Memorandum dated April 3, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective April 20, 1947:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Clayton Gehman	Economist	\$7,581.00	\$7,820.40
A. B. Hersey	Economist	7,581.00	7,820.40
Josef Herbert Furth	Economist	6,144.60	6,623.40

Approved unanimously.

Memorandum dated April 7, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Leonard P. Eager, Jr., be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,021 per annum, and with official headquarters at Chicago, Illinois. The memorandum also stated that

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it was contemplated that Mr. Eager would become a member of the Federal Reserve retirement system.

By unanimous vote, Mr. Leonard P. Eager, Jr., was appointed 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 was designated as an Assistant Federal Reserve Examiner, with official headquarters at Chicago, Illinois, and with basic salary at the rate of \$3,021 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of April 5, 1947, regarding the question whether a loan is subject to Regulation U if it is secured by stock of American Business Shares, Inc. and is for the purpose of purchasing such stock.

"The stock of American Business Shares, Inc. is not registered on any national securities exchange. However, the corporation is an investment company and its assets consist largely of stocks that are so registered. The corporation's stock is sold at a price based directly upon the market price of its assets, and such stock is redeemable at any time by the shareholder at a price based upon the market price of such assets.

"As you suggest, it comes down to the fact that the stock of American Business Shares really repre-

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"sents an equitable part ownership in certain securities, most of which are registered stocks. In the circumstances, there is much to be said for the view that a loan to purchase or carry the stock of American Business Shares is really a loan to purchase or carry registered stocks, and that the loan is thus subject to control under section 7(d) of the Securities Exchange Act of 1934.

"However, as you know, the present provisions of Regulation U do not exhaust the Board's powers under section 7(d). In addition to the definition of 'carrying' in section 3(b) of the Regulation, there are other points on which the Regulation has a narrower scope than section 7(d) of the Act.

"Taking account of these differences between the present Regulation and the Act, it is the view of the Board that although the present loan may well be within the reach of the Act, it is not subject to the present provisions of the Regulation."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks

reading as follows:

"Copies of the revised Manual of Instructions Governing the Preparation of Functional Expense Reports and of Form F.R. 634 on which such reports are to be submitted will be mailed to your Bank this week. The instructions and forms are to become effective July 1, 1947.

"The revised instructions and Form 634 include (1) approved recommendations of the Subcommittee of the Presidents' Conference Committee on Fiscal Agency Operations and Reimbursable Expenses and of the Presidents' Conference Committee on Expense Accounting; (2) certain other suggested changes; and (3) approved changes in Fiscal Agency reimbursements. The Committee on Expense Accounting worked with the Board's staff in revising the Manual of Instructions.

"Among the more important changes in the instructions are the following:

1. With certain exceptions, daily time records are to be maintained by each employee whose time is devoted to more than one unit.

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- "2. Reports are to be submitted monthly on a noncumulative basis. An annual cumulative report is also to be submitted except that for the year 1947 the cumulative report should cover the six months ending December 31.
3. Definite instructions as to which Fiscal Agency expenses are reimbursable have been included in the Manual.
4. Formal functional expense accounting forms and records of a permanent nature - suitable for review - are to be designed and maintained by all Banks and branches covering (a) distribution of salaries and other expense items, (b) daily time records and other personnel data, as required, and (c) volume of work figures.

"It will be appreciated if forms designed by your Bank to record the data mentioned in (4) above, together with the daily time record forms referred to in (1) above, are furnished to the Board for its information and files.

"Available information indicates that payroll periods do not coincide with calendar months for all employees at each Reserve Bank. It is essential, however, that beginning July 1 all salary figures, except for overtime, contained in Current and Functional Expense reports relate solely to salaries accrued for the calendar month.

"It is hoped that each Federal Reserve Bank, upon receipt of the Board's exhibits compiled from reports on the revised Form 634, will analyze them carefully in comparison with similar costs at other Federal Reserve Banks and branches and, where costs are materially out of line, endeavor to ascertain the reasons therefor.

"If the instructions governing the preparation of the reports on the new form are strictly followed by all Federal Reserve Banks and branches, the reports should more accurately reflect actual costs and volume of work than has been the case heretofore. The value of the reports will depend on the care with which they are prepared."

Approved unanimously.

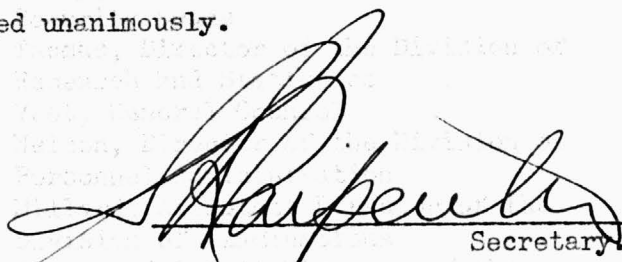
Letter to the Presidents of all the Federal Reserve Banks  
reading as follows:

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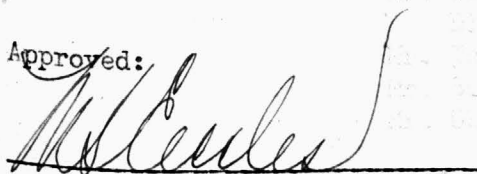
"Reference is made to the Board's letter of February 4, 1947, S-958 regarding the submission of annual budgets. Copies of the budget report Form F.R. 634a will be mailed to your Bank this week.

"It was stated in the above-mentioned letter that the budget for 1947 should show expenses for 1946 for ready comparison with the budget figures. Since certain changes have been made in the Manual of Instructions Governing the Preparation of Functional Expense Reports, effective July 1, 1947, expenses for 1946 should be shown in all cases where comparable figures are readily available but not otherwise. In accordance with the Board's telegram of March 17, 1947, the 1947 budget reports should be mailed so as to reach the Board not later than July 1, 1947."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.