

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 7, 1948. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Evans
Mr. Vardaman
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Riefler, Assistant to the Chairman
Mr. Nelson, Director of the Division of Personnel Administration

Mr. Johns, Vice President of the Federal Reserve Bank of Kansas City

Before the meeting there had been distributed copies of the report by Mr. Johns dated July 6, 1948, on the International Section of the Division of Research and Statistics, prepared in accordance with the action at the meeting on June 11, 1948. Various phases of the report were discussed and it was understood that the report would be used by the Personnel Committee, the Division of Research and Statistics, and the Division of Personnel Administration in working out solutions to problems in the organization of the International Section, including the classification of employees.

At this point Messrs. Riefler, Nelson, and Johns withdrew from the meeting and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 6, 1948, were approved unanimously.

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Memorandum dated July 6, 1948, from Mr. Leonard, Director of the Division of Examinations, recommending that, effective as of the date upon which they enter upon the performance of their duties after having passed the usual physical examination, Elmer J. Huxhold and Edward F. Kipfstuhl be appointed as Assistant Federal Reserve Examiners, for a temporary period of one year from the date of oath of office, with basic salaries at the rates of \$3,852.60 and \$2,974.80 per annum, respectively, and with official headquarters at Chicago, Illinois, and Cleveland, Ohio, respectively.

By unanimous vote, Elmer J. Huxhold and Edward F. Kipfstuhl were appointed, on a temporary basis for a period of one year from the date of oaths of office, examiners 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 were designated as Assistant Federal Reserve Examiners, with official headquarters at Chicago, Illinois, and Cleveland, Ohio, respectively, and with basic salaries at the rates of \$3,852.60 and \$2,974.80 per annum, respectively, all effective as of the dates upon which they enter upon the performance of their duties after having passed the usual physical examination.

Memorandum dated July 7, 1948, from the Division of Personnel Administration, attaching memoranda from Messrs. Leonard and Bethea, Directors of the Divisions of Examinations and Administrative

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Services, respectively, recommending increases in the basic annual salaries of the following employees in those Divisions, effective July 11, 1948:

| <u>Name</u> | <u>Designation</u> | <u>Salary Increase</u> | |
|--|--------------------|------------------------|------------|
| | | <u>From</u> | <u>To</u> |
| <u>DIVISION OF EXAMINATIONS</u> | | | |
| Anne M. Stewart | Clerk | \$2,168.28 | \$2,394.00 |
| <u>DIVISION OF ADMINISTRATIVE SERVICES</u> | | | |
| Ida Goodloe | Supervisor | 3,397.20 | 3,522.60 |
| J. R. Surguy | Printing Clerk | 2,544.48 | 2,644.80 |
| Ruth M. Williams | Stenographer | 2,544.48 | 2,619.72 |
| Ethel M. Canter | Cafeteria Helper | 1,690.00 | 1,756.00 |

Approved unanimously.

Letter to Mr. Creighton, Federal Reserve Agent of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in Mr. Berge's letter of July 1, 1948, the Board of Governors approves, effective June 30, 1948, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|--------------------|---|----------------------|
| Clifford Morrissey | Alternate Assistant Federal Reserve Agent | \$4,000 |
| John F. Mooney | Alternate Assistant Federal Reserve Agent | 6,200 |
| Lewis E. Stoyle | Alternate Assistant Federal Reserve Agent | 4,700" |

Approved unanimously.

Letter prepared for Chairman McCabe's signature to Mr. Russell H. Baumgardner, Secretary, The Baumgardner Corporation, 1609 16th Street, N. W., Washington, D. C., reading as follows:

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"This refers to your letter of June 23 regarding certain amendments and interpretations under the Board's margin regulation. The items in which you are interested are set out in the Federal Reserve Bulletin for May 1938, August 1945, March 1948 and April 1948, and I understand that you have already received copies of these Bulletins.

"I am, of course, very glad to give you the information you request, and in this connection it may be helpful to mention that the August 1945 and March 1948 items were amendments -- they changed the language of the regulation. On the other hand, those of May 1938 and April 1948 were interpretations -- they gave the Board's views on how the regulations, as they stood at those times, applied to certain factual situations. They would naturally be different in view of the differences in the regulation.

"The 1938 interpretation expressed the view, among other things, that the effect of a sale of a security could be delayed under the regulation by postponing delivery of the security. This permitted the security to be repurchased some time later without additional margin even if the account was undermargined. The 1945 amendment made important changes in the regulation, one consequence, among others, being that the result in the situation described in the 1938 interpretation was changed. The Board would have so stated if the question had been presented to it, but the question was not raised until after the 1948 amendment. When the Board was asked then about a number of points, including the one in which you are interested, it issued the statement which is set out in the April 1948 Bulletin.

"We regret that you feel that you have been deprived of the opportunity to enter into or continue any transaction by virtue of any regulations or rulings of the Board. You will appreciate, however, that the Board has the responsibility placed upon it by law of prescribing rules and regulations with respect to margin requirements. In determining what requirements to impose, it is necessary in this connection as in the case of other Government regulations to consider the overall effect on the public generally and it is not always possible to prevent an incidental or exceptional effect upon particular persons which they may feel to be undesirable from the standpoint of their individual situations.

"I would not attempt to express an opinion as to the merits of any private controversy that might exist between you and your broker. I assume that you would wish

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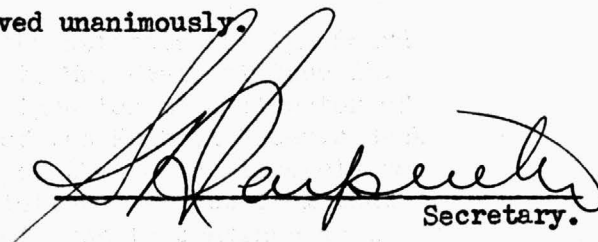
"to consult with an attorney as to whether you have any valid claim and, if so, as to the amount of damages to which you might be entitled, since it appears to be conjectural on the facts as I understand them whether you have incurred any loss which would be recognizable by the courts."

Approved unanimously.

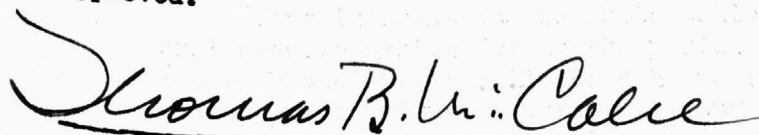
Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"This will acknowledge receipt of your letter of June 25, 1948 in which you advised that actual expenses for 1948 will exceed budget estimates for the year by approximately \$7,000 in the Discount and Credit function at the head office and \$43,000 in the Check Collection function at the Baltimore Branch. It would appear from the statements made in your letter that these increases are necessary and appropriate notations thereof are being made on the Board's records."

Approved unanimously.


Secretary.

Approved:


Chairman.