

The Papers of Charles Hamlin (mss24661)

369 10 001-

Hamlin, Charles S., Scrap Book – Volume 261, FRBoard Members

11

205.001 - Hamlin Charles S
Scrap Book - Volume 262
FRBoard Members

TRANSFER

Box 369 Folder 11

CONFIDENTIAL (F.R.)

TRANSFER

RETURN TO

FILES SECTION

DO NOT REMOVE ANY
PAPERS FROM THIS FILE

CONFIDENTIAL (F.R.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 12, 1941To The Files

Subject: _____

From Mr. Coe*MPC.*

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from volume 262 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 262

Page 1

Memo to Mr. Hamlin from Mr. Goldenweiser re increase in borrowing from F.R. Banks.

Page 37

Memo to Dr. Miller from Mr. Wyatt re Treasury Influence on Federal Reserve Policy During Fall of 1919.

Page 38

Memo to Mr. Hamlin from Mr. Currie re First and Second National Banks of the United States.

Page 41

Earnings and Expenses of F.R. Banks, May 1935.

Page 69

Earnings and Expenses of F.R. Banks, April 1935.

Page 85

Governors' Conference.

Page 145

Earnings and Expenses of F.R. Banks, June 1935.

Office Correspondence

FEDERAL RESERVE
BOARD

Date June 6, 1935

To Mr. Hamlin

Subject:

From Mr. Goldenweiser

16-522

You asked yesterday what increase in borrowing from the Reserve banks would occur if finance paper were made eligible.

I do not think that it would make any difference in the aggregate amount of borrowing. At the present time, with the large volume of excess reserves, there certainly would be no borrowing no matter what paper was eligible. All the banks have excess reserves and also have either eligible paper or Government securities, so that if by any chance they have to borrow temporarily, they have the basis for borrowing.

There has never been a time when there was not enough eligible paper in the aggregate to cover and considerably more than cover the requirements of member banks for Federal Reserve credit. I do not think, therefore, that the quantity of borrowing would increase if eligibility were enlarged. What would happen would be that a number of banks, which in a period of stress have had no eligible paper in the past, would have eligible paper under the proposed change in the law. In all probability, their borrowing would result in some other bank paying off, so that the total would not change, but the situation would be improved.

The reason that representatives of finance companies have always been anxious to have their paper made eligible is that this would give the paper a better standing in the market and make banks more willing to invest in it. That, of course, is the line of argument that Governor Eccles has used for relaxing eligibility requirements. He feels that if the banks were assured that longer time paper and paper otherwise ineligible under existing law could be used as a basis of borrowing, then the member banks would be more willing to extend credit on other than strictly self-liquidating short-term paper.

VOLUME 262
PAGE 1

B1

See NH

April 29, 1935

DR. MILLER
WALTER WYATT

Treasury Influence on Federal
Reserve Policy During Fall of 1919

STRICTLY CONFIDENTIAL

In accordance with your request, I have examined the minutes of the Board meeting held on September 4, 1919, the supplementary minutes of the discussion between the Board and a representative of the Treasury during such meeting, the minutes of the Board meeting of November 26, 1919, and a supplementary memorandum of a statement made by a representative of the Treasury during that meeting, and I feel that these records clearly justify the following conclusions:

1. In September, 1919, the Board considered abolishing the preferential rates on advances and rediscounts secured by Government obligations.
2. The Treasury objected on the ground that such an increase in rates would interfere seriously with the Treasury's refunding program, force the Treasury into short loans at high rates, and force inflation instead of liquidation.
3. The Treasury, however, would not object to lowering the commercial rate to the rate on paper secured by Government obligations if such action were postponed until January 1, 1920.
4. In this connection, the Treasury representative prophesied that, within a year, there would be a slackening of industry, closed plants, reduced prices, and easy money. He said that, by the middle of January, we would have easy money and automatic contraction.

G 37

Dr. Miller - 2

5. On November 26, 1919, the Board considered proposals by the Federal Reserve Banks of Boston and New York to increase their rates on paper secured by Government obligations; but, after listening to a statement by a Treasury representative, voted to disapprove such increases in view of the Treasury's position but to advise the banks that the Board considered their rates on acceptances too low.

I did not understand that you expected me to examine any other minutes; and the tremendous pressure of other matters has made it impossible for me to make a careful study of the minutes for this entire period. However, I have glanced at some of the other minutes and also at certain other records and submit the following incomplete chronological statement for your further information:

As early as August 5, 1919, the Federal Reserve Banks of Philadelphia, Richmond and Dallas were rediscounting with other Federal Reserve banks.

September 4, 1919 - Board discussed abolition of preferential rate on rediscounts and advances secured by Government obligations and this was opposed by Treasury representative.

October 30, 1919 - Board's General Counsel rendered an opinion that Board could initiate changes in discount rates.

November 7, 1919 - Board authorized Governor to suspend reserve requirements of Federal Reserve Bank of New York as to deposits for a period not exceeding 10 days, if in his judgment the exigencies of the situation required such action. (Dr. Miller voted "No".)

Dr. Miller - 3

November 10, 1919 - Dr. Miller filed statement of his reasons for voting against action taken at meeting on November 7. "Definite steps should be taken to bring borrowing banks in New York to realization of the way in which their Federal Reserve bank will be undermined unless an effective check on borrowing for speculative uses is applied by them."

November 26, 1919 - Board considered proposals by Federal Reserve Banks of Boston and New York to increase their rates on paper secured by Government obligations and disapproved the same after listening to a statement by a Treasury representative. Board, however, advised Federal Reserve banks that it considered their rates on acceptances too low.

December 4, 1919 - Honorable Carter Glass, Secretary of the Treasury asked Attorney General for opinion on question whether Board could initiate changes in rediscount rates.

December 9, 1919 - Attorney General rendered opinion to effect that Board could change rediscount rates on its own initiative.

December 10, 1919 - Governor addressed telegram to all Federal Reserve banks urging direct action to discourage speculation and check loan expansion.

December 11, 1919 - The Governor presented to Board a letter addressed to him by a Treasury representative stating that he did not wish views expressed in his letter of November 29 to stand in way of any action Board desired to take, but maintenance of $4\frac{1}{2}$ per cent rate on Treasury certificates seems necessary "to insure success of future

Dr. Miller - 4

certificate issues". Board thereupon approved increases in rates by New York and Richmond on loans secured by Victory notes and Liberty bonds.

I wish very much that it were possible for me to make a thorough study of the minutes and records for this entire period; but the pressure of other matters renders it virtually impossible for me to do so. I believe, however, that Mr. Carpenter or someone else in the Secretary's office could go through these minutes and the files of correspondence referred to therein and prepare a most interesting record showing the Board's anxiety about the situation which was developing and the extent to which Treasury influence prevented the Board from taking early corrective action.

Respectfully,

Walter Wyatt,
General Counsel.

P.S. Since dictating the above, I have discovered the following:
At a meeting commencing at 11:00 a.m., November 7, 1919, changes in discount rates voted by Federal Reserve Banks of Dallas, San Francisco, and Cleveland were approved, "subject to concurrence by the Treasury Department in rates shown affecting paper secured by Government obligations."

At another meeting held at 4:15 p.m. on the same day the

Dr. Miller - 5

Governor stated that, after discussing the question with representatives of the Treasury Department, he was requested to report that the Treasury Department was not in accord with the rates suggested and desired that the Board secure, if possible, uniform rates in all districts on paper secured by Government obligations. Thereupon, the Board approved telegrams to the three Federal Reserve banks, advising that the Board would approve revised schedules of rates set out in such telegrams. The telegram to San Francisco concluded with the statement that, "On full consideration of the subject, Board believes present time inopportune for entire removal of differential."

The minutes indicate that the Secretary of the Treasury entered the meeting immediately after the approval of these telegrams.

WW

WW:kp

Office Correspondence

FEDERAL RESERVE
BOARDDate June 8, 1935. *See Bk*To Mr. Hamlin

Subject: _____

From Lauchlin Currie
L.C.

OFF 16-852

In the case of both the First and the Second Banks of the United States, the Government originally owned one-fifth of the capital stock. In order to reduce its debt to the First Bank, the Government sold its stock and ceased to be a shareholder in 1802, about midway in the history of the bank.

The two banks each had a board of twenty-five directors. In the case of the First Bank, these were elected by the shareholders, who had one vote for each share, but no individual could vote more than thirty shares. There is no evidence that the Government was represented by directors specially appointed by it. In the case of the Second Bank the same system of voting applied; but the President, with the advice and consent of the Senate, appointed five of the twenty-five directors.

Foreigners owned between two-thirds and three-fourths of the stock in both banks, but were prevented from voting by a provision which authorized only residents of the United States to vote by proxy.

In the case of both banks the branches were merely subsidiary offices of the main institution. The idea of regional autonomy seems not to have been thought of at the time.

The Aldrich Bill provided for an organization which was formally highly centralized. The Board of Directors of the National Reserve Association was to have power to fix a uniform discount rate for the entire country and to issue notes. The managers and deputy managers of the fifteen branches were to be appointed by the Governor of the national association, with the approval of the Board of Directors of the branches. These officers were to be subject to removal by the Governor, and their powers and duties were to be specified by the by-laws of the National Association. These provisions seemed to be entirely unaffected by the idea of regional autonomy. The Board of Directors of the National Association, however, were to be representative of, and indirectly elected by, local banking associations, and the Governor of the National Association was to be appointed by the President from a list of names submitted by this board, and was to be removable by a two-thirds vote of the board.

638

See Bu

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, MAY 1935

Federal Reserve Bank	Month of May 1935								January - May 1935					
	Earnings from -							Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	Indus-trial ad-vances	U.S. Govt. securi-ties	Commitments to make in-dustrial advances	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss*
										Per cent		Per cent		
Boston	\$999	\$73	\$9,259	\$216,808	\$1,946	\$1,101	\$230,186	\$162,988	\$168,374	\$61,812	6.8	\$343,640	7.7	\$92,028
New York	6,198	392	27,891	1,079,243	6,517	5,019	1,125,260	642,073	663,624	461,636	9.2	2,546,520	10.3	1,240,439
Philadelphia	927	101	16,391	231,654	44	1,432	250,549	194,738	201,656	48,893	3.8	287,225	4.6	-98,197
Cleveland	194	93	6,985	291,732	1,297	5,723	306,024	222,973	225,457	80,567	7.2	409,547	7.5	63,069
Richmond	489	36	21,063	155,567	1,597	22,606	201,358	135,787	139,733	61,625	14.4	189,107	9.1	69,120
Atlanta	518	35	5,666	129,111	329	2,401	138,060	108,618	110,658	27,402	7.3	199,239	10.9	71,630
Chicago	101	118	10,101	511,462	835	17,373	539,990	262,891	266,578	273,412	25.2	1,423,614	27.0	1,199,349
St. Louis	46	4	2,540	150,048	1,680	5,291	159,609	110,416	116,604	43,005	12.7	200,462	12.0	107,659
Minneapolis	104	3	10,245	107,038	57	7,953	125,400	99,201	104,810	20,590	7.8	74,898	5.8	11,049
Kansas City	200	26	3,838	146,629	23	16,908	167,624	134,834	136,878	30,746	9.0	131,967	7.9	38,597
Dallas	1,043	25	8,638	112,011	150	2,470	124,337	91,076	91,829	32,508	9.5	159,246	9.6	87,632
San Francisco	450	68	3,482	269,273	2,410	6,453	282,136	138,260	215,519	66,617	7.2	251,866	5.6	30,828
TOTAL														
May 1935	11,269	974	126,099	3,400,576	16,885	94,730	3,650,533	2,303,855	2,441,720	1,208,813	9.7			
April 1935	13,833	12,529	112,555	3,429,130	17,495	65,901	3,651,443	2,339,011	2,440,493	1,210,950	10.0			
May 1934	180,677	1,768	--	3,939,187	--	71,336	4,192,968	2,419,120	2,474,834	1,718,134	13.8			
Jan. to May 1935	66,420	17,786	492,102	17,595,217	74,375	415,055	18,660,955	11,841,369	12,443,624	6,217,331	10.2	6,217,331	10.2	2,913,203
1934	868,404	119,317	--	19,284,278	--	510,797	20,782,796	11,875,058	12,387,095	8,395,701	13.9	8,395,701	13.9	5,697,042

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
JUNE 10, 1935.

*Exclusive of profits of \$2,321,935.54 on sales of United States Government securities held in Special Investment Account.

B41

CONFIDENTIAL

Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, APRIL 1935

*See also
Cum + by h. 7/2/35*

Federal Reserve Bank	Month of April 1935							January - April 1935						
	Earnings from -							Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	Indus-trial ad-vances	U.S. Govt. securi-ties	Commitments to make in-dustrial advances	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss*
											Per cent		Per cent	
Boston	\$1,232	\$906	\$9,202	\$219,245	\$1,873	\$1,083	\$233,541	\$157,757	\$163,285	\$70,256	7.9	\$281,828	8.0	\$86,194
New York	6,074	4,647	19,653	1,080,670	5,550	4,917	1,121,511	615,339	669,290	452,221	9.2	2,084,884	10.6	1,035,344
Philadelphia	918	1,246	17,471	234,105	38	1,057	254,835	188,798	197,221	57,614	4.6	238,332	4.8	-53,718
Cleveland	196	1,190	6,573	295,037	1,387	5,810	310,193	229,323	233,365	76,828	7.1	328,979	7.6	52,267
Richmond	483	464	17,953	157,586	3,112	1,977	181,575	133,403	137,707	43,868	10.6	127,482	7.7	33,114
Atlanta	386	451	5,378	130,597	309	5,011	142,132	109,785	111,980	30,152	8.3	171,837	11.9	67,082
Chicago	82	1,459	8,884	519,408	779	14,771	545,383	269,885	274,831	270,552	25.7	1,150,202	27.4	991,450
St. Louis	27	347	2,417	149,849	1,663	5,154	159,457	95,779	102,342	57,115	17.1	157,457	11.8	85,313
Minneapolis	106	278	9,631	107,523	28	538	118,104	94,206	98,191	19,913	7.7	54,308	5.3	3,190
Kansas City	3,331	338	3,555	148,199	541	19,623	175,587	134,572	136,466	39,121	11.8	101,221	7.6	26,239
Dallas	751	326	8,465	119,148	57	1,236	129,983	93,236	93,698	36,285	11.0	126,739	9.6	73,527
San Francisco	247	877	3,373	267,763	2,158	4,724	279,142	216,928	222,117	57,025	6.4	185,249	5.2	-18,660
TOTAL														
April 1935	13,833	12,529	112,555	3,429,130	17,495	65,901	3,651,443	2,339,011	2,440,493	1,210,950	10.0			
March 1935	11,648	1,307	97,989	3,632,230	14,256	71,389	3,828,819	2,422,824	2,521,784	1,307,035	10.5			
April 1934	121,978	16,788	--	3,894,697	--	105,443	4,138,906	2,407,449	2,461,444	1,677,462	13.9			
Jan.-Apr. 1935	55,151	16,812	366,003	14,194,641	57,490	320,325	15,010,422	9,537,514	10,001,904	5,008,518	10.4	5,008,518	10.4	2,381,342
1934	687,725	117,549	--	15,345,091	--	439,461	16,589,826	9,455,938	9,912,259	6,677,567	13.9	6,677,567	13.9	4,726,332

FEDERAL RESERVE BOARD

DIVISION OF BANK OPERATIONS

MAY 10, 1935.

*Exclusive of profits of \$1,573,479.13 on sales of United States Government securities held in Special Investment Account.

VOLUME 262
PAGE 69

369

M. Hamilton

See Bu

G O V E R N O R S C O N F E R E N C E

May 27 and 28, 1935

Washington, D. C.

First Day's Session, Monday, May 27

Afternoon

The meeting was called to order at 2:35 p. m.

Present: Governors Young, Harrison, Norris,
 Fleming, Seay, Newton, Schaller,
 Martin, Geery, Hamilton, McKinney,
 and Deputy Governor Day.

Mr. Strater, Secretary.

In the absence of Governor Calkins, Chairman of
the Conference, it was

VOTED that Governor Harrison be appointed Chair-
man Pro Tem.

TOPIC - DISCOUNT RATES

NEW YORK

The Board's letter X-9194, which was sent to each
of the reserve banks on May 2, 1935, was given consideration.
In connection with this topic there followed a general dis-
cussion of the effect of present rates on business conditions,
and it was the sense of the Conference that with the loans
and discounts in the Reserve System, and in the member banks
as well, at their present low level, the discount rates were
not a definite factor in the recovery program, and would not
be until there was evidence of a marked improvement in busi-
ness conditions. The topic was therefore passed without
action.

TOPIC - PROBLEM OF FUTURE CONTROL OF
EXCESS RESERVES.

NEW YORK

After a general discussion, it was
VOTED to be the sense of the Conference that no
action is necessary or advisable at this time, but that
the problem of controlling excess reserves is one which will
require the utmost courage and ingenuity when the time comes
for action. It was generally conceded that whatever action
on the part of the Reserve System is determined upon should
be taken well in advance of any credit inflationary tendency,
and that action should not be postponed until statistics in-
dicate a definite trend toward such inflation.

TOPIC - FOREIGN EXCHANGES AND GOLD MOVEMENTS.

1. Monetary stabilization. NEW YORK

Governor Harrison discussed briefly the current
developments in foreign exchanges and the general trend of
gold and silver movements, and also the general problems of
monetary stabilization in foreign countries. It was under-
stood that Governor Harrison would send a memorandum on each
of these subjects to each member of the Conference.

TOPIC - RE-OPENING OF PRIVATE CAPITAL MARKET.

1. Security underwriting by banks.

2. Refunding.

3. New issues.

NEW YORK

Governor Harrison discussed with the Conference
what has been developing in the capital market with respect
to the refunding of maturing issues and the sale of new is-
sues, and expressed the opinion that excess reserves,

regardless of how high they may become, will not make for a satisfactory re-opening of the private capital market until confidence is more fully restored.

At 3:40 p. m. Governor Harrison left the meeting and Governor Norris took the Chair.

TOPIC - FULL REIMBURSEMENT FOR ALL FISCAL
AGENCY OPERATIONS INCLUDING RE-
CONSTRUCTION FINANCE CORPORATION
SPACE IN BUILDINGS. CHICAGO
1. Report of Committee on
Reimbursable Expense.

Inasmuch as this whole question is adequately covered in a report of the Committee on Reimbursable Expense, Governor Fleming, Chairman of that committee, read its report to the Conference. Governor Fleming explained that the scope of authority of the committee appointed at a Conference of Governors held in October, 1933, was apparently limited to Fiscal Agency operations and the reimbursement by the Treasury of expenses in connection therewith.

Since the appointment of the committee, operations for other instrumentalities of the government have become so large that a number of the Federal Reserve banks have referred the matter of reimbursement for necessary expenses in connection with operations for these agencies to the committee, and the committee's work has been done as though its scope of authority included expenses incident to the operations of other instrumentalities of the government as well as for the Treasury.

The committee, in its report, requested that this Conference confirm the work which it has done as a result of developments since it was appointed in October, 1933, and that if the report met with the approval of the Conference, the committee requested that it be authorized to appoint a subcommittee of not less than eight, one of whom shall be a representative of the staff of the Federal Reserve Board, to revise the manual of Form E so that it will include methods of determining expenses which are reimbursable from the Treasury and from other instrumentalities of the government as well, in accordance with the principles set forth in the "Plan for Computing Expenses of Functions and Units of the Federal Reserve Banks Which Are or May Become Reimbursable," dated May 16, 1934.

The committee further requested that upon the approval by the Committee on Reimbursable Expense of the revised manual, which will be submitted by the proposed subcommittee, the revised manual shall become the manual of cost accounting for all Federal Reserve banks and shall be used as a basis for arriving at the amount of reimbursable expenses. After a general discussion, it was

VOTED that the report of the Committee on Reimbursable Expenses be accepted, and that the work done by the committee be ratified and approved; and further, that the committee is authorized to appoint a subcommittee for

the purposes outlined in the report; and further that, the Committee on Reimbursable Expense be, and it is, given full authority to accept the report of the subcommittee and to act thereon, such action to be the same as though taken by this Conference.

TOPIC - EXECUTIVE OFFICERS IN FEDERAL RE-
SERVE BANKS BE GIVEN WIDER LAT-
ITUDE IN ALLOWING SALARY IN AD-
VANCE TO EMPLOYEES SEVERING THEIR
CONNECTION WITH THE BANK. CHICAGO

Governor Schaller explained that the Chicago reserve bank was confronted by a difficult problem because it felt it necessary, in order to effect economies in salary expenditures, to release some employees who have been in its service for a considerable time. Such employees, would, of course, be given reasonable advance notice. However, it was his opinion that as soon as these employees were given notice, their value and usefulness would be seriously impaired.

It was the feeling of the Governors that the problem would be greatly simplified if the reserve banks were permitted, in some cases, to pay several months' regular salary in lieu of advance notice of dismissal where immediate dismissal would otherwise be a severe hardship upon the employees affected.

A general discussion of this topic brought out the fact that some of the other Federal Reserve banks were

faced with the same problem in varying degree, and that it would be very helpful, and more economical in the longer view, if the Boards of Directors, or the Executive Officers, were permitted some latitude in the payment of compensation for limited periods to employees whom it might become necessary to dismiss from the service, through no fault of their own, because they were no longer needed. It was

VOTED that it is the sense of the Conference of Governors that the Boards of Directors of the Federal Reserve banks should be permitted, in their discretion, to pay up to six months' salary to officers or employees upon their involuntary separation from the service.

TOPIC - ACTION BY FEDERAL RESERVE BOARD
ON REPORT OF GOVERNORS' CONFERENCE
UNDER DATE OF FEBRUARY 5,
1935, CONCERNING CHANGE FROM
MORSE TO TELETYPE SYSTEM IN OUR
INTER-BANK COMMUNICATIONS. CHICAGO

Governor Schaller referred to a letter addressed to him, under date of May 7, 1935, by the Secretary of the Federal Reserve Board, commenting upon the recommendations of the Leased Wire Committee contained in its report dated November 30, 1934, which was approved by the Governors' Conference at its meeting in Washington on February 5, 1935, in which certain changes are recommended in the operations of the Leased Wire System.

Governor Schaller commented particularly upon the objections raised against the use of the Teletype System and the statement that the Federal Reserve Board felt that before anything is done, a determination should be made by the Leased Wire Committee, from the standpoint of the System as a whole, as to the type of machines which should be used; the two types being a tape machine and a page machine. Mr. Morrill also suggested in his letter that the committee give special consideration to, and submit, a recommendation as to the policy which should be followed in regard to the personnel problem in the event that Teletype machines are installed.

After general discussion, it was understood that Governor Schaller will send to each of the Governors a copy of the letter from the Secretary of the Federal Reserve Board, dated May 7, 1935, together with a memorandum prepared in the Federal Reserve Bank of Chicago, with respect to this problem, and that as Chairman of the Leased Wire Committee he will endeavor to reconcile divergent views in order, if possible, to obtain an agreement as to the use of Teletype machines; and failing in this, another report by the Leased Wire Committee on this subject be submitted to the next Governors' Conference.

Governor Harrison returned at 4:55 p. m., and at his request Governor Norris continued in the Chair.

TOPIC - DESIRABILITY OF RETIREMENT SYSTEM
OF FEDERAL RESERVE BANKS INCLUD-
ING FIRST MORTGAGE REAL ESTATE
LOANS IN ITS INVESTMENTS AND AD-
VISABILITY OF RESERVE BANKS MAK-
ING AND SERVICING SUCH LOANS ORIG-
INATING IN THEIR RESPECTIVE DIS-
TRICTS UNDER AGREEMENT BETWEEN
RETIREMENT SYSTEM AND RESERVE
BANKS.

DALLAS

This topic was placed on this program by Governor McKinney of the Federal Reserve Bank of Dallas. It was understood that this was in effect a request from the chairman of a committee appointed by the Board of Trustees of the Retirement System to obtain the views of Governors of Federal Reserve banks, first as to the desirability of investing the funds of the Retirement System in real estate mortgages, and second as to whether the Federal Reserve banks would be willing to select and service such loans. After general discussion, it was

VOTED that the Governors' Conference sees no objection to the investment by the trustees of the Retirement System of a reasonable proportion of the Retirement System's funds in first mortgages on real estate, provided proper machinery can be set up to select and service them, and that it is the sense of the Conference that while the Federal Reserve banks could, and would, contribute any information in their power, they can not be expected at this time to select or service such mortgages.

TOPIC - GENERAL DISCUSSION OF THE PRACTICABILITY OF HOLDING DIRECTORS' MEETINGS AT FEDERAL RESERVE BANKS ON THE SAME DATE, ESPECIALLY AT THOSE BANKS HAVING REPRESENTATION ON EXECUTIVE COMMITTEE OF FEDERAL OPEN MARKET COMMITTEE. BOSTON

Governor Young expressed the opinion that it was frequently a somewhat difficult matter to get the members of the Executive Committee of the Federal Open Market Committee together at important meetings, due to the fact that meetings of the Boards of Directors, or of the Executive Committees, of the Federal Reserve banks were held on different days, and suggested that it would greatly facilitate the holding of meetings of the Federal Open Market Executive Committee if arrangements could be made whereby Board meetings and Executive Committee meetings at those banks represented on the Federal Open Market Executive Committee would be held on the same day of the week. After general discussion, it was

VOTED to be the sense of the Conference that if such arrangements are practicable and they can be conveniently made at the several banks represented on the Federal Open Market Executive Committee, consideration should be given to Governor Young's suggestion. It was understood that as a general thing Thursday was probably the day that would least interfere with meetings of the Federal Open Market Executive Committee.

TOPIC - UNIFORM MEDICAL EXAMINATION OF
EMPLOYEES AT FEDERAL RESERVE
BOARD AND FEDERAL RESERVE
BANKS AND BRANCHES. (Report of
Retirement Committee of Federal
Reserve Banks.) NEW YORK

After discussion, it was

VOTED that the report of the Retirement Committee
be approved and concurred in.

TOPIC - DESIRABILITY OF UNIFORM ACTION IN
HANDLING BILL OF LADING DRAFTS
COVERING INTERSTATE LIQUOR SHIP-
MENTS RECEIVED FOR COLLECTION.
(See Federal Reserve Board's
letter X-9188.) DALLAS

The Federal Reserve Board's letter X-9188, of April 26, 1935, calls attention to the provisions of Section 239 of the Criminal Code of the United States, which makes it unlawful for a railroad company, or express company, or other person in connection with the transportation of intoxicating liquor in interstate commerce, to collect the purchase price thereof, or act as the agent for the buyer, or the seller, for the purpose of buying, or selling, or completing the sale thereof.

Counsel for some of the Federal Reserve banks have indicated that there are conflicting decisions in some of the states, and that in some cases, drafts with bills of lading attached covering interstate shipments of liquor, might be handled without coming under the penalties imposed by the Criminal Code. It was felt that drafts without bills of lading attached, drawn in settlement of liquor shipments could also be handled without coming under the

penalties imposed by the Criminal Code. After general discussion, it was

VOTED to be the sense of the Conference that until the provisions of Section 239 of the Criminal Code are repealed, or appropriately amended, the Federal Reserve banks should decline to handle drafts with bills of lading attached, covering interstate liquor shipments whenever the bill of lading attached is to be surrendered upon payment or acceptance of the draft.

TOPIC - DESIRABILITY OF UNIFORM PROCEDURE
IN HANDLING TELEGRAPHIC TRANSFERS
OF BANK BALANCES IN ROUND AMOUNTS
FOR ACCOUNT OF NONMEMBER CLEARING
BANKS OVER COMMERCIAL WIRES AT
EXPENSE OF SUCH BANKS.

DALLAS

Governor McKinney explained that under the procedure now in effect, Federal Reserve banks are prohibited from handling telegraphic transfers of funds to, or from, nonmember clearing banks. He also stated that in the opinion of the Dallas bank, permission to make these transfers would be a great convenience to nonmember banks, and that he felt they should be granted the same privileges with respect to telegraphic transfers of funds as was accorded to member banks.

After general discussion, in view of the fact that this whole question has been studied by the Standing Committee on Collections, and in view of the fact that committee had previously made specific recommendations, it was

VOTED that the question of telegraphic transfers for the account of nonmember clearing banks, over commercial wires, at their expense, be given further study by the Standing Committee on Collections, and that the committee should present its report and recommendations to the Chairman of the Governors' Conference.

Adjourned at 6:30 p. m. to reconvene at 10:00 a. m. on Tuesday, May 28.

Second Day's Session, Tuesday, May 28, 1935

Morning

Meeting was called to order at 10:05 o'clock a. m. with the same attendance as at the previous day's session.

Governor Harrison presided.

TOPIC - REPORT OF INSURANCE COMMITTEE

The report of the Insurance Committee was submitted to the Conference, and, after discussion, it was VOTED to accept and approve the report.

TOPIC - USE OF ORDINARY MAIL FOR SHIPMENTS OF COUPONS, BONDS, SCRIP, STOCK CERTIFICATES, ETC. (See Federal Reserve Board's letter B-1063 of February 26, 1935.) F. R. BOARD

A letter from the Secretary of the Federal Reserve Board, dated May 13, 1935, addressed to Governor Calkins, Chairman of the Governors' Conference, to which was attached a memorandum containing excerpts from replies to the Board's letter B-1063 of February 26, 1935, was brought to the attention of the Conference in order that the question might be

discussed, as requested by the Secretary of the Federal Reserve Board.

There followed a general discussion of the attitude of the postal authorities, as reflected in a letter from the Third Assistant Postmaster General, addressed to the Federal Reserve Board, dated February 14, 1935; and while it was conceded that the use of the ordinary mail for transmitting valuables of any considerable amount, if it became a general practice, might result in substantial losses, it was felt that the high surcharges exacted by the postal authorities on registered mail, justified to some extent, the use of the ordinary mails for transmitting valuables of this nature, where the amount involved was relatively small. While this matter, in the opinion of the Governors, does not necessarily require uniformity of action on the part of the Federal Reserve banks, it was nevertheless

VOTED that this Conference approves the principle that money, securities, and other valuables should be adequately safeguarded by the use of registered mail for transmittal, and that each Federal Reserve bank should cooperate with the postal authorities to discourage the use of ordinary mail for the transmittal of such valuables.

TOPIC - ACTION OF THE BOARD OF TRUSTEES
OF RETIREMENT SYSTEM OF THE
FEDERAL RESERVE BANKS IN AMEND-
ING THE RULES AND REGULATIONS
OF THE RETIREMENT SYSTEM.

Governors Fleming and Geery, both members of the

Board of Trustees of the Retirement System, discussed with the Conference certain amendments to the Rules and Regulations of the Retirement System of Federal Reserve Banks, adopted by the Board of Trustees at its annual meeting on April 16, 1935, subject to the approval of the Federal Reserve Board.

It was understood that although the Rules and Regulations of the Retirement System were subject to amendment by the Board of Trustees and become effective upon the approval by the Federal Reserve Board, nevertheless, in view of the large contributions made by the reserve banks to the retirement fund, such amendments were of particular interest to the reserve banks also. After general discussion, it was

VOTED that the Conference concurs in the amendments as made by the Board of Trustees, and approved by the Federal Reserve Board.

TOPIC - KEEPING A DESCRIPTION OF SHIPMENTS
OF NEW CURRENCY SENT THROUGH THE
MAILS AND INCLUDING SOME NEW CUR-
RENCY IN ALL SHIPMENTS. (See
Federal Reserve Board's letter
X-9162 of March 25, 1935.) F. R. BOARD

At the request of the Federal Reserve Board, the letter referred to was discussed, together with the request of the Third Assistant Postmaster General; and it developed that it was the uniform practice of all of the reserve banks to keep a record of the serial numbers, particularly with respect to new bills, whenever it is possible to do so.

TOPIC - DISCUSSION OF DESIRABILITY OF
PERMITTING BANK GUARDS TO TAKE
ADVANTAGE OF THE SPECIAL RE-
TIREMENT BENEFITS OF THE RETIRE-
MENT SYSTEM AT AGE 50. KANSAS CITY

Because of the special character of the service rendered by bank guards, and the probability that their usefulness and effectiveness in many cases will become progressively less from year to year after they have attained age 50, it was the general opinion of the Governors that men of this caliber, who have spent many years in the guard service, would not be temperamentally, or by reason of past experience, able to accept clerical positions; and that in order to keep the efficiency of the guard organization at a maximum, it would be highly desirable if some arrangement could be made whereby guards might be retired at an age substantially under that provided in the Rules and Regulations of the Retirement System, as amended. It was

VOTED that the Secretary be instructed to bring this matter to the attention of the Retirement Committee of the Retirement System and request that further consideration be given to the possibility of developing some plan to this end, with a provision for payment of any additional costs by the employing bank.

Adjourned at 11:30 a. m. to reconvene immediately with the members of the Federal Reserve Board and its staff.

H. F. STRATER
Secretary.

See No

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JUNE 1935

Federal Reserve Bank	Month of June 1935								January - June 1935					
	Earnings from -							Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	Indus-trial ad-vances	U.S. Govt. securi-ties	Commitments to make in-dustrial advances	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss*
										Per cent		Per cent		
Boston	\$1,570	\$73	\$8,901	\$204,111	\$2,019	\$852	\$217,526	\$198,414	\$210,409	\$7,117	.8	\$350,756	6.6	\$44,870
New York	6,488	387	28,604	1,008,131	7,112	5,190	1,055,912	600,841	637,491	418,421	8.6	2,964,941	10.0	1,361,451
Philadelphia	954	100	16,214	227,333	156	1,332	246,089	183,490	189,356	56,733	4.6	343,958	4.6	-119,115
Cleveland	315	92	7,343	279,498	1,254	5,537	294,039	220,920	225,043	68,996	6.4	478,542	7.4	65,548
Richmond	2,421	36	21,547	149,636	2,534	5,346	181,520	130,544	134,771	46,749	11.3	235,856	9.5	89,245
Atlanta	330	35	5,373	121,503	247	2,074	129,562	103,607	105,958	23,604	6.5	222,843	10.2	75,546
Chicago	108	117	9,327	451,572	764	25,150	487,038	269,273	273,993	213,045	20.3	1,636,659	25.8	1,393,604
St. Louis	85	4	2,366	140,331	1,538	5,196	149,520	110,510	116,691	32,829	10.0	233,292	11.6	119,861
Minneapolis	80	3	10,021	107,033	69	8,079	125,285	95,845	98,806	26,479	10.3	101,377	6.5	25,670
Kansas City	358	26	4,115	138,041	103	15,466	158,109	137,884	139,125	18,984	5.7	150,951	7.5	37,612
Dallas	812	25	8,805	106,183	339	1,358	117,522	93,847	94,459	23,063	7.0	182,310	9.1	90,371
San Francisco	433	67	3,342	256,936	2,703	4,571	268,052	213,084	215,459	52,593	5.9	304,459	5.7	43,573
TOTAL														
June 1935	13,954	965	125,958	3,190,308	18,838	80,151	3,430,174	2,358,259	2,441,561	988,613	8.2			
May 1935	11,269	974	126,099	3,400,576	16,885	94,730	3,650,533	2,303,855	2,441,720	1,208,813	9.7			
June 1934	97,806	1,389	--	3,794,390	--	99,822	3,993,407	2,383,616	2,432,843	1,560,564	12.9			
Jan. to June 1935	80,374	18,751	618,060	20,785,525	93,213	495,206	22,091,129	14,199,628	14,885,185	7,205,944	9.9	7,205,944	9.9	3,228,236
" " " 1934	966,211	120,703	--	23,078,671	--	610,619	24,776,204	14,258,674	14,819,939	9,956,265	13.8	9,956,265	13.8	6,653,798

FEDERAL RESERVE BOARD

DIVISION OF BANK OPERATIONS
JULY 13, 1935.

*Exclusive of profits of \$2,696,560 on sales of United States Government securities held in Special Investment Account.

8145