

At an adjourned meeting of the Federal Reserve Board held in the office of the Board at 3:00 p. m. on Thursday, December 23,

## PRESENT:

Mr. McAdoo, presiding	Mr. Warburg
Mr. Hamlin	Mr. Harding
Mr. Delano	Mr. Miller
Mr. Williams	Mr. Willis, Secretary.

On motion the Federal Reserve Bank of Richmond was authorized, as per application, to pay a five per cent Christmas distribution as additional compensation to its employees (except the floor executive officers), the same to be regarded as part of their compensation.

On motion a Christmas distribution amounting to \$500 was authorized for the employees of the Federal Reserve Bank of Kansas City.

A letter from Federal Reserve Agent Curtiss of Boston regarding a suit proposed by the Attorney General of Massachusetts against the National Shawmut Bank to test its executor and trustee powers,

was referred to Counsel with request that he take the same steps to cooperate with the attorney of the Shawmut Bank as in other cases of similar description.

A report presented by Mr. Miller respecting the recommendation of the Governors that carbon copies of the Board's correspondence be transmitted to Federal reserve agents to be handed to the Governor of the bank in each case, was approved, and the Secretary ordered to act accordingly.

The Secretary of the Board having presented certain correspondence with Assistant Attorney General Graham and W. W. Flannagan transmitted by the Secretary of the Treasury, was ordered to send a suitable reply.

The Secretary of the Board presented a letter from Federal Reserve Agent Wellborn relative to statements in the recent circular of the Tennessee Bankers' Association. The letter was noted and ordered filed.

The Secretary of the Board reported the usual discount rate notices to the Board calling

attention to the fact that the only rate asked for was a rate of 2% to 4% on open market purchases, with endorsement, at Boston. On motion the latter rate was approved on a temporary or special basis.

The Secretary of the Board having presented a letter from the Federal Reserve Bank of Richmond stating that it intended to declare a 5% dividend to stockholders, was directed to get into communication with Chief Examiner Broderick on the subject, to take such action under the direction of the Committee on Operation as said Committee might deem best.

Mr. Harding offered the following resolution:

RESOLVED, That it is the sense of the Board that the following questions require consideration and determination at this time:

1. The question whether it is desirable that the Federal Reserve Agents should receive full reports from National bank examiners on the condition of member banks.

2. Whether it is desirable for National bank examiners to serve as deputy Federal reserve agents or as Class "C" directors of Federal reserve banks;

✓ 3. Whether it is desirable for Gov-

ernors of Federal reserve banks to be directors;

4. In the event the Board should determine that it is desirable for Governors to become directors, whether such policy should be made effective in all districts at once by calling for any resignations that may be necessary, or whether it should be instituted by filling existing vacancies and such vacancies as may occur within the next two years, by the appointment of Governors for Class "C" directorships as may be practicable;

5. Whether the Board, in approving the official salary lists to be submitted by the Boards of Directors of the several Federal reserve banks in January, should consider the policies and administrative records of the various Governors, with the view of determining their fitness and qualifications for continued service.

RESOLVED, That these questions be considered and determined by the Board in the order named, such order being that in which the various matters of policy referred to have been brought to the attention of the Board.

Discussion ensued, and Mr. Williams moved to amend the resolution by striking out in the last paragraph the words, "in the order named." The amendment was lost.

Mr. Hamlin moved to amend the resolution by inserting in paragraph 2 the words, "as deputy

Federal reserve agent or." The amendment prevailed.

Mr. Harding having moved the previous question, which was carried, the resolution, as amended, was put to a vote and declared adopted.

Mr. McAdoo moved that the resolution be made a special order for a meeting to be held at 3:00 p. m. on Tuesday, December 28. The motion prevailed.

On motion it was voted that all nominations for directorship be sent to the Secretary of the Board, and by him be copied and distributed to the various members.

Mr. McAdoo again laid before the Board the resolution proposed by him at the meeting on Wednesday, December 22, and on motion the same was adopted as follows:

WHEREAS, it is the opinion of the Federal Reserve Board that persons holding political or public office in the service of the United States, or of any State, Territory, county, district, political subdivision, or municipality thereof, or acting as members of politi-

cal party committees, can not consistently with the spirit and underlying principles of the Federal Reserve Act, serve as directors or officers of Federal Reserve Banks:

RESOLVED, That the Federal Reserve Board hereby expresses to the member banks its opinion that no such persons should henceforward be elected or act as directors or officers of Federal reserve banks; and prescribes as a condition of eligibility that candidates for election shall comply with the terms of this resolution;

RESOLVED FURTHER, That copies of this resolution be sent to every member bank and Federal reserve bank, and to all directors of Federal reserve banks.

While the Board is of the opinion that the policy outlined in this resolution should become effective at once, directors of Federal reserve banks elected prior to the date of its adoption will not be required to resign their positions as such directors until the end of the term for which they were elected.

The Secretary of the Board was directed to wire Governor McDougal of Chicago to the effect that the question of converting 2% into 3% securities was still under advisement, and that he would be informed of the outcome as soon as possible.

On motion, opinions of Counsel relating

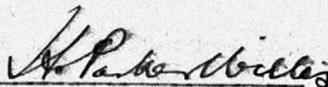
to the following subjects were ordered released  
and published in the Federal Reserve Bulletin:

Surrender of stock by member banks on  
account of liquidation;

Power of the Board to reduce the number  
of Federal reserve districts;  
(Mr. Elliott);

Power of the Board to reduce the number  
of Federal reserve districts;  
(Mr. Cotton);

On motion at 4:30 p. m. the Board ad-  
journed to meet on Tuesday, December 28, at 3:00  
p. m.



Secretary.

APPROVED:

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Chairman.