

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 28, 1935, at 11:15 a. m.

PRESENT: Mr. Thomas, Vice Chairman
Mr. Hamlin
Mr. James

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Mr. Thomas referred to the action taken at the meeting of the Executive Committee of the Board on April 25, 1935, in authorizing the placing of an order with the Government Printing Office for the printing of a revised edition of the Federal Reserve Act upon the adjournment of Congress. He stated that the work on the revised edition had been practically completed and the copy would be returned to the Government Printing Office early next week for final printing, and that the question had been raised as to the advisability of having the copies of the new edition bound instead of leaving the majority of them unbound as had been the practice in the past. He called attention to the fact that the estimate received from the Government Printing Office on the revised edition was based on having only 400 copies of the act bound in buckram with the balance unbound, and he reported that on the basis of further estimates received from the Government Printing Office it would add approximately \$3,800 to the cost of the edition if 10,000 copies were bound with paper covers of the quality which has been used for several years on the annual report, 9,800 copies in red buckram, and 200 copies in leatherette bindings with thumb indexes. He expressed

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the opinion that the additional expenditure would be justified as it would enable the Board to place a bound copy of the act in the hands of each member bank, the officers of the Federal reserve banks, and others who have occasion to refer frequently to the act, and he recommended that the order with the Government Printing Office be amended to provide for binding the edition as referred to above.

Mr. James moved that the Board authorize the printing of 20,000 copies of the new edition of the act, to be bound in accordance with Mr. Thomas' recommendation.

Carried unanimously.

The following letter to Mr. F. G. Awalt, Acting Comptroller of the Currency, was approved unanimously.

"Receipt is acknowledged of your letter of September 27, 1935, submitting for the comment of the Board a proposed draft of regulations governing the purchase of 'investment securities' and further defining the term, 'investment securities', as used in section 5136 of the Revised Statutes as amended by the Banking Act of 1935.

"Your request for an early reply to your letter has been noted by the Board and, in accordance therewith, the proposed draft of regulations will be considered and you will be advised as promptly as may be possible in the circumstances, considering the importance of the matter, of any suggestions which the Board may have to offer."

Mr. Thomas presented a letter dated September 26, 1935, from Mr. A. E. Demaray, Acting Director of the National Park Service, with which he inclosed a copy of a memorandum from the Executive Director of the National Emergency Council confirming the understanding that he will have no further use for space in the Munitions Building from

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November 20, 1935, and in which he stated that it is the purpose of the Division of Government Space Control of the National Park Service to move the Federal Trade Commission from the space now occupied by the Commission in Temporary Building No. 5 to the released space in the Munitions Building and to other space and that this program will be carried out as soon as the Munitions Building space is made available.

It was unanimously agreed that a letter should be prepared to Mr. Demaray stating that it is understood from his letter that the arrangements referred to therein will result in a complete evacuation of Temporary Building No. 5 not later than November 20, 1935, so that the Board may proceed under its contract with the demolition of the building.

Mr. Thomas called attention to a letter dated September 14, 1935, from Mr. Clerk, Deputy Governor of the Federal Reserve Bank of San Francisco, regarding the question whether the savings department of a California state departmental bank is a "savings bank" within the provision of section 19 of the Federal Reserve Act exempting for two years any deposit made by a savings bank as defined in section 12B of the Federal Reserve Act from prohibition against payment of interest on demand deposits, and to a proposed reply prepared by counsel's office advising that the Board is of the opinion that such department is not a savings bank within the meaning of section 19 of the Federal Reserve Act.

After a brief discussion it was agreed unanimously that the proposed

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reply should be held for consideration following the return to Washington of the other appointive members of the Board.

Reference was then made to a letter dated June 12, 1935, from Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, inquiring whether certain agency accounts in the foreign department of the Industrial Trust Company, Providence, Rhode Island, are deposits within the meaning of section 19 of the Federal Reserve Act. The letter had been considered by counsel's office which had reached the conclusion that the accounts in question either constitute "deposits" within the meaning of section 19 or are characterized by so many of the incidents of deposits that for the purposes of section 19 they should be treated as deposits under the power given to the Board by the Banking Act of 1935 to prescribe rules and regulations in order to effectuate the purposes of the section and prevent evasions thereof. Counsel's office had also prepared a letter to the Federal reserve agent in accordance with the conclusion referred to above.

Mr. Hamlin stated that he had discussed the proposed letter with Mr. Thomas, that he and Mr. Thomas were agreed that the procedure followed by the bank in these accounts is an undesirable one, and that if, agreeable with the Board, he would like to discuss the matter with the officers of the Federal Reserve Bank of Boston on the occasion of his next visit to Boston, following which he would report to the Board.

It was agreed unanimously that the matter should be handled in accordance with

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the procedure suggested by Mr. Hamlin.

The Committee then acted upon the following matters:

Telegram to Mr. Hamilton, Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring your September 26 wire regarding painting of mural decorations in lobby of your Denver branch building, this matter has been discussed with representatives of the Treasury. It is noted that you doubt the propriety of authorizing the painting of these murals even if Federal funds are available for purpose, and Board agrees with position taken by you. In the circumstances, therefore, it is suggested that you advise the artist who approached your bank that you are not in a position to accept his offer to paint the murals."

Approved unanimously.

Telegram to Governor Newton of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring your September 23 telegram, Board will interpose no objection to proposed purchase of \$650,000 face value Cuban gold coin from Cuban Government under contract substantially the same as that entered into on June 29, 1933, covering similar transaction. Complete written report regarding transaction should be filed with Board promptly, transmitting a copy of contract as executed. Treasury Department advises that it will have no objection to the Havana Agency making redelivery of the Cuban gold coin delivered to such Agency under the agreement, with the understanding that the gold coin in question is situated in Cuba and will be held there by the Federal Reserve Bank of Atlanta.

"Please report separately in Miscellaneous Assets block of Form 34 any Cuban gold coin held. The amount thereof will be included in item 'All other assets' in Board's weekly press statement on condition of Federal reserve banks."

Approved unanimously.

Letter to Mr. McKay, Deputy Governor of the Federal Reserve Bank

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of Chicago, reading as follows:

"Reference is made to your letter of June 14, 1935, in reply to the Board's letter, B-1083, of June 12, 1935, subject, 'Liberty Loan Associations'.

"It is noted from your letter that while the Federal Reserve Bank of Chicago did not take over the assets and liabilities of any Liberty Loan Association, it is holding First Liberty Loan $3\frac{1}{2}\%$ Bonds in the amount of \$400 for the redemption of an equal amount of Liberty Loan \$10 participation certificates which are outstanding. Inasmuch as all Liberty Bonds have now been called for payment, the Board suggests that the question of the proper disposition of these bonds be taken up with the Treasury Department with the view of eliminating the item from the accounts of the Reserve bank at an early date."

Approved unanimously.

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"Further reference is made to your letter of January 17, 1935, in reply to the Board's letter of December 19, 1934, regarding the item of \$44,116.86, carried in 'Suspense account - General', representing profits arising from the operations of the St. Louis Liberty Loan Association, the assets and liabilities of which were taken over by the Federal Reserve Bank of St. Louis in October, 1919.

"You were advised in the Board's letter of March 4, 1935, that the disposition of the profits of the Liberty Loan Associations managed by the Federal Reserve banks was being given consideration by the Board and on June 12, 1935, a circular letter on the subject (B-1083) was sent to the Governors of all Federal Reserve banks.

"Replies to the Board's letter, B-1083, indicate that only three Federal Reserve banks, including the Federal Reserve Bank of St. Louis, took over the assets and liabilities of any Liberty Loan Association. One of the banks that took over such assets and liabilities reports that a surplus of \$1,204,913.76 in cash and bonds has already been transferred to the Secretary of the Treasury and states that since the cost of conducting the operations of the Association was borne by the Treasury Department, it is the bank's view that in final settlement any accumulated profits should be transferred to the Treasury. The other Federal Reserve bank has sustained a net loss to date.

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"The examination report of the Federal Reserve Bank of St. Louis dated November 7, 1925, contains the following comments regarding the St. Louis Liberty Loan Association:

'...This organization functioned and maintained quarters under its own name until October 1919, when it was discontinued and all funds and accounts placed under the administration of the Federal Reserve Bank of St. Louis. During the time the Association was operating under its own name and for approximately three years after the transfer to the Reserve Bank, its expenses were absorbed by the Treasury Department. Since 1923 work in connection with the Association has been constantly dwindling, until at the present time only a very small part of one employee's time is required. During this period all expenses have been absorbed by the Reserve Bank...'

"Since the cost of conducting the operations of the Association was borne by the Treasury Department during the time it was operating under its own name and for approximately three years after the transfer to the Reserve bank, the Board feels that in final settlement any profits remaining after deducting expenses should be transferred to the Treasury Department.

"Inasmuch as all Liberty Bonds have now been called for payment the Board suggests that the question of the final settlement of the accounts of the Association be taken up with the Treasury Department with the view of eliminating such accounts from the books of the Reserve bank at an early date."

Approved unanimously.

Letter to Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of June 29, 1935, in reply to the Board's letter, B-1083, of June 12, 1935, subject, 'Liberty Loan Associations'.

"It appears from your letter that the Federal Reserve Bank of San Francisco took over certain assets and liabilities of the local Liberty Loan Association or Committee and that it has sustained a net loss on the undertaking. It is stated in this connection that the Reserve bank is now holding in safekeeping five \$50 Fourth Liberty Loan Permanent Coupon Bonds totaling \$250, the owners of which cannot be

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"located, and you recommend that these bonds be redeemed by the Reserve bank and the proceeds credited to profit and loss account to partially offset the loss referred to above.

"The Board has given consideration to the recommendation contained in your letter and suggests that inasmuch as all Liberty Bonds have now been called for payment the question of the proper disposition of these bonds be taken up with the Treasury Department with the view of eliminating the item from the accounts of the Reserve bank at an early date."

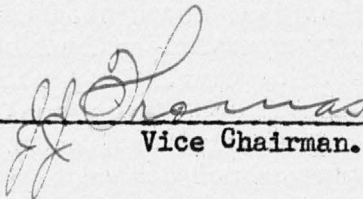
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:


Vice Chairman.