

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 31, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Thomas, Vice Chairman
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Szymczak

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on October 18, 19, 21 and 22, 1935, were approved unanimously.

The Board acted upon the following matters:

Letters dated October 31, 1935, to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, stating respectively that the Board notes with approval that the Federal Reserve Bank of Chicago on October 18, the Federal Reserve Banks of New York, Richmond and Kansas City on October 24, and the Federal Reserve Bank of Atlanta on October 25, established without change the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Governor Fleming of the Federal Reserve Bank of

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Cleveland, prepared in accordance with the action taken at the meeting of the Board on October 18, and reading as follows:

"Reference is made to your letter of October 7, 1935, from which it is noted that your directors, on October 4, 1935, established rates of discount and purchase for a period of fourteen days commencing October 5, and that your bank had been advised by its counsel that it was at least open to question whether the rates of discount and purchase fixed by your bank on September 20, 1935, and approved by the Board of Governors of the Federal Reserve System, continued in effect until the rates fixed by your board at its meeting on October 4, 1935, were reviewed and determined by the Board of Governors of the Federal Reserve System as provided in subsection 14(d) of the Federal Reserve Act, as amended by the Banking Act of 1935, and you had received advice of the Board's approval thereof.

"Your letter suggests that, in view of this opinion, the Board establish a procedure whereby advice of the Board's action on rates established by your directors will be sent to your bank on the date of receipt by the Board of information from the bank as to rates fixed for a future period, in order that there shall be at all times rates of discount and purchase for the bank without any possibility of question as to the validity of rates in effect.

"It has been the experience of the Board in the past that, because of the important questions of policy involved in rate changes, it was not always possible to reach a decision on rates submitted to it by a Federal reserve bank on the date advice of the bank's action was received. In view of the increased responsibilities placed upon the Board by the Banking Act of 1935, there undoubtedly will be occasions in the future when the Board will require more than one day in which to review all of the important factors which must be taken into account. For this reason, the Board believes that it would not be advisable to set up a procedure which would require it to pass upon rates of discount established by the banks upon the date upon which advice of the bank's action is received.

"The only change in subsection 14(d) of the Federal Reserve Act as amended by the Banking Act of 1935 is the addition of a provision by which the Federal reserve banks are required to establish their rates of discount every fourteen days, or oftener if deemed necessary by the Board. Therefore, the Board takes the position that when a bank has established rates of discount in accordance with this requirement upon which action by the Board is pending, the existing rates continue in effect until rates subsequently established with the approval of the Board become effective.

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"This is on the assumption, of course, that the language used by the bank in establishing the existing rates did not otherwise limit the period for which they were to be in effect. In this connection, the Board feels that it would be preferable for the bank not to place a limitation on the time during which rates established are to remain in effect.

"Of course, the Board will consider rates of discount submitted to it by the Federal reserve banks, and will act thereon and advise the banks of its action, as promptly as possible in the circumstances."

Approved unanimously with the understanding that a copy of the letter would be sent to all Federal reserve banks.

Memorandum dated October 29, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that authority be given to grant Mrs. Emma L. Chapin, a statistical clerk in the Division, additional leave of absence on account of illness up to thirty days during the current calendar year. The memorandum stated that Mrs. Chapin's sight had been so seriously impaired by her illness as to give reason to believe that she would be eligible for retirement on account of disability and that a further recommendation would be submitted to the Board on her return.

Approved unanimously.

Memorandum dated October 29, 1935, from Mr. James submitting a letter dated October 22 from Mr. Helm, Deputy Governor of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classification plan of the bank to provide for the discontinuance of the position of Statistical Clerk in the Loans, Rediscounts and Acceptances Department. The memorandum stated that in addition to the above change, the duties and qualifications for the position of

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Senior Clerk had been revised without change in salary range. The memorandum also stated that Mr. James had reviewed the proposed changes and recommended that they be approved.

Approved unanimously.

Telegram to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Referring our telephone conversation re proposed temporary appointment of L. M. Odom as Acting Assistant Federal Reserve Agent at El Paso Branch during illness of G. M. Allen, Acting Assistant Agent at Branch. Board feels that representative of Federal Reserve Agent should be responsible to agent and independent of bank and, therefore, would be willing to approve appointment on understanding that, if appointment were made, Mr. Odom would be transferred to the payroll of the Federal Reserve Agent as representative of and responsible to Federal Reserve Agent, but that, in addition to performing duties of Acting Assistant Federal Reserve Agent he might be detailed to perform such functions in the auditing department as you might consider advisable. Before entering upon his duties it would be necessary for Mr. Odom to execute usual form of oath of office and surety bond in the amount of \$50,000 which, before being forwarded to Board for approval, should be examined by your counsel to determine whether its execution complies fully with rules printed on reverse side of form of bond 182."

Approved unanimously.

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

"Reference is made to your letter of October 7, 1935, urging that the present arrangement whereby the Lafayette Cooperative Bank is located in the banking quarters of the 'Fall River Trust Company', Fall River, Massachusetts, be permitted to continue notwithstanding the provisions of condition of membership numbered 21, which reads as follows:

"Within six months from date of admission to membership, such bank shall cause the removal from its banking quarters of the offices of the cooperative bank now located therein."

"The Fall River Trust Company was admitted to membership on

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"December 29, 1933, but had, prior to that time, requested that condition numbered 21 be waived. In view of the agreement between the trust company and the cooperative bank regarding the joint occupancy of banking quarters, the Board, on July 20, 1934, granted an extension of two years from the date notice of intention to terminate the agreement was given within which condition numbered 21 might be complied with, and the Board has been informed that such notice was given on July 25, 1934.

"As you were advised in its letter of May 14, 1934, the Board believes that it is not a desirable situation when the quarters of a bank are shared with another institution and has been guided by this principle so far as practicable in dealing with such situations. Careful consideration, however, has again been given the matter so far as it affects the Fall River Trust Company and in view of all the circumstances and your recommendation, the Board grants an indefinite extension of the effective date for compliance with the provisions of condition of membership numbered 21. Such action has been taken with the distinct understanding, however, that the Board specifically reserves the right at any time after July 25, 1936, and upon six months' notice, to require the trust company to effect the removal from its banking quarters of the cooperative bank now located therein.

"It is requested that you advise the trust company of the Board's action in the matter."

Approved unanimously.

Telegram to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Re Young's telegram October 29, 1935, regarding 'Farmers & Merchants State Bank', Darlington, Indiana. Board does not feel that condition of membership numbered 18 should properly be waived. However, while it appears doubtful whether trustees have legal authority to pledge collateral referred to in Young's telegram for purpose stated, if you and counsel for your bank are satisfied that, in view of agreement under which Young has advised that trustees assumed bank's liability under mortgage in question, the liability is only a contingent one, the Board will consider the showing of such liability as a contingent liability on the bank's books and reports of condition submitted to the Board as constituting compliance with the condition. Please furnish the Board a copy of such agreement for its records."

Approved unanimously.

Letter to Mr. Wood, Federal Reserve Agent at the Federal

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Reserve Bank of St. Louis, reading as follows:

"The Board is in receipt of your letter of October 15, in which you request a ruling as to whether certain member firms of a national securities exchange are required to make the monthly reports on Form F.R. 240 which you recently requested of them in accordance with the Board's letter to you of September 20, 1935.

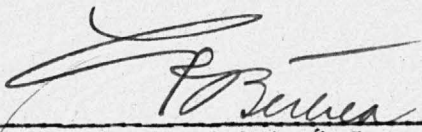
"From the information regarding these firms given in your letter, and in the letters from them enclosed with yours, it appears that such firms represent themselves as brokers or dealers in securities who carry no 'margin accounts' for customers, but not as firms who do not otherwise extend any credit. In order to answer the question presented, therefore, the Board would need information as to whether the firms in question do in fact extend credit in any manner or to any extent.

"The answer to this question would not be in the negative at any given time if the firms in question have at such time any ledger balances corresponding to any of the following items on Form F.R. 240:

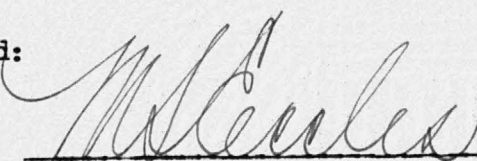
- "4. NET debit balances due from member firms of national securities exchanges—
 - (a) Member firms of New York Stock Exchange
 - (b) Member firms of other national securities exchanges.
- "5. NET debit balances due from all other customers exclusive of partners of this firm."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.