

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 28, 1935, at 12:10 p. m.

PRESENT: Mr. Eccles, Chairman (last part of meeting)
Mr. Thomas, Vice Chairman
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Vest, Assistant General Counsel

Mr. Thomas stated that Chairman Eccles was temporarily detained in his office and had asked that the Board proceed with the consideration of the special matter to be taken up and had stated he would join the meeting as soon as possible.

Mr. Morrill said that Chairman Eccles had advised him yesterday evening that he had received telephone messages from Mr. Rudolph Hecht, Chairman of the Hibernia National Bank in New Orleans, and retired president of the American Bankers Association, and Mr. Robert V. Fleming, present President of the American Bankers Association, with regard to the situation which would be created on January 1, 1936, if the Board's Regulation Q, which prohibited the absorption by member banks of exchange and collection charges as indirect payments of interest, were allowed to go into effect and a similar regulation were not issued by the Federal Deposit Insurance Corporation. Mr. Morrill stated that the regulation adopted by the Federal Deposit Insurance Corporation, which had not yet

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been issued, in its present form does not prohibit the absorption of exchange or collection charges by insured nonmember banks, that the chairman of the Federal Deposit Insurance Corporation, Mr. Crowley, had agreed to discuss the matter next Monday with Chairman Eccles, and that Mr. Crowley had agreed to defer the effective date of the Corporation's regulation to February 1, 1936. Therefore, until that date at least insured nonmember banks would be free to absorb exchange and collection charges, thereby placing national and State member banks at a decided competitive disadvantage. Mr. Morrill said that he understood that Mr. Hecht and Mr. Fleming had advised Chairman Eccles that they felt that in these circumstances some action should be taken by the Board to relieve member banks of the duty of complying with the applicable provision of Regulation Q at least until the new Federal Deposit Insurance Corporation regulation shall become effective.

Chairman Eccles had indicated agreement with this position, Mr. Morrill said, and, in accordance with his request, the Legal Division had prepared a draft of telegram to all Federal reserve banks suspending the applicable provision of Regulation Q until the date upon which the regulation which was to be issued by the Federal Deposit Insurance Corporation relating to the payment of interest on deposits by insured nonmember banks became effective. The telegram had been placed in circulation among the members of the Board and Mr. James had suggested that a meeting be called to discuss the matter.

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Upon entering the meeting Chairman Eccles related the substance of his telephone conversation with Mr. Hecht, and advised that Mr. Fleming was quite concerned about the matter. He also said that a meeting had been arranged for Monday, December 30, at which he, Mr. Fleming, and Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, would be present, for a consideration of the whole matter, and that it appeared to him that the best solution of the matter would be to suspend the applicable provision of the Board's regulation before it went into effect, rather than to permit it to go into effect after which the Board might be placed under the necessity of amending or revoking the provision in the event the Federal Deposit Insurance Corporation did not see fit to adopt similar provisions in its regulation.

Mr. James stated that he had been advised by Mr. Paul M. Davis, President of The American National Bank, Nashville, Tennessee that his bank was in active competition with a nonmember bank in the State; that the latter bank had been informed that the Federal Deposit Insurance Corporation had no authority to prohibit the absorption of exchange and collection charges as indirect payments of interest, and that, therefore, the nonmember bank was making arrangements to solicit from banks throughout the State of Tennessee the deposits which they were carrying in member banks.

As a result of the discussion the telegram was amended to read as follows:

"Pending action by the Federal Deposit Insurance Corporation

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"on its regulations relating to the payment of interest on deposits by insured nonmember banks Board defers until such date as may be fixed by further action of the Board the date upon which subsection (f), entitled 'Interest' of section I revised Regulation Q, becomes effective. However, all provisions of Regulation Q, other than subsection (f) of section I, will become effective January 1, 1936. Please advise all member banks in your district to this effect without delay."

Mr. Thomas moved that the Board defer the effective date of subsection (f) of section I of Regulation Q until further action by the Board.

Carried unanimously.

Mr. Szymczak moved that, in accordance with this action, the amended telegram as set forth above be forwarded immediately to all Federal reserve banks.

Carried unanimously.

Chairman Eccles stated that a letter had been received from Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, under date of December 24, 1935, in which he stated that at the meeting of the board of directors of the bank to be held on December 31, officers would be elected, their salaries fixed, and such other action taken as was necessary to carry on the organization of the bank for the new year; that due to the prospective change in the titles of the governor and deputy governor to president and vice president, it was assumed that the latter officers could not be elected until March 1 and that it was Mr. Austin's thought that the Governor and Deputy Governor should be appointed for a period of two months to March 1 and their

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salaries fixed accordingly and that all other officers should be appointed for a full year. The letter also requested that if this was not the proper procedure Mr. Austin be so advised.

Mr. Eccles said that Governor Harrison of the Federal Reserve Bank of New York also had discussed with him the question raised in Mr. Austin's letter and that, as a result of these inquiries, he had requested Mr. Morrill to prepare a telegram to Mr. Austin and the chairmen of the other Federal reserve banks, advising that it seemed clear to the Board that the election not only of the governor and senior deputy governor, but of all of the deputy governors should be limited to the period ending at the close of business on February 29 and action upon their salaries likewise limited to that period. The telegrams also suggested that during the next two months a review be made of the bylaws of the banks for the purpose of considering what changes should be made in the light of the amendments to the law, that, although it was recognized that the bylaws of the banks were not subject to the Board's approval, it was believed that in the consideration of changes the desirability of general uniformity throughout the System should be taken into account, and that therefore it would be helpful if, before the directors took formal action upon any amendments, a draft of the proposed changes were submitted to the board of governors for such suggestions as it may feel would be of assistance.

Mr. Miller suggested that the reference in the telegrams to the

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amendments to the bylaws be omitted.

Suggestions were made as to the procedure that might be followed in amending the bylaws of the banks and it was agreed that a procedure should be followed which would result in the adoption of bylaws which would be as uniform as possible under the circumstances existing at the several Federal reserve banks.

It was pointed out that, because of the requirement of Section 14(b) of the Federal Reserve Act, that the Federal reserve banks establish discount rates every fourteen days or oftener if deemed necessary by the Board, and in view of the fact that the boards of directors of some of the banks met only once or twice a month, the question was presented whether the executive committees of the banks had authority to establish such rates in the absence of a meeting of the board of directors, as well as the question of the composition of the executive committees of the respective banks. It was also pointed out that the governor of the bank is chairman of the executive committee at nearly all of the Federal reserve banks, and the opinion was expressed by some of the members of the Board that the chairman of the board should be chairman of the executive committee.

Mr. Thomas expressed the opinion that the executive committee should be composed only of members of the board of directors of the bank, and stated that if that procedure were followed the president of the bank would not be a member of the committee.

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Chairman Eccles suggested that action on this matter be deferred until a letter to the chairmen of all Federal reserve banks could be prepared in the light of the authority of the Board in connection with amendments to the bylaws of the Federal reserve banks.

At the conclusion of the discussion, upon motion by Mr. Szymczak, the telegram to Mr. Austin was approved unanimously in the following form, with the understanding that it would be sent immediately without circulation among the members of the Board for initials:

"Inquiry contained in your letter December 24 in regard to election of officers of your bank at next meeting of directors to be held on December 31 has been considered by Board. In view of the fact that the Banking Act of 1935 amended the Federal Reserve Act so that, effective March 1, 1936, the senior executive officers of the bank will be the President and the Vice Presidents and that the President will be the chief executive officer of the bank, all other executive officers and all employees of the bank being directly responsible to him, it seems to the Board clear that the election not only of the Governor and senior Deputy Governor but of all the Deputy Governors should be limited to the period ending at the close of business February 29, the action upon their salaries being likewise limited to this period. Other matters involving changes in organization and procedure under the Banking Act of 1935 have also been brought to the attention of the Board which will be dealt with in a letter which will follow at a later date."

A telegram to the chairmen of the other Federal reserve banks which referred to the inquiry from Mr. Austin and quoted the telegraphic reply set forth above, was also approved unanimously for immediate transmittal, and Mr. Morrill and Mr. Wyatt, General Counsel, were requested to prepare for consideration a draft of a letter to the Chairmen of the Federal reserve banks suggesting a procedure to be followed in amending the bank's by-laws which would result, if possible, in general uniformity in the by-laws of all of the Federal reserve banks.

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At this point Mr. Vest withdrew from the meeting and the Board acted upon the following matters:

Letters to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the respective banks on December 27, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Your letter December 13. Board approves reappointment of Charles F. Gettemy, and William D. McRae as Assistant Federal Reserve Agents at your bank. Board also approves reappointment of Clifford E. Morrissey and Dana D. Sawyer to assist Federal Reserve Agent in the function of issuing and retiring Federal reserve notes and Federal reserve bank notes. Mr. Osgood advised Mr. Hamlin under date of December 21 that he had tendered his resignation to become effective as of December 31, 1935, and, therefore, Board is not approving his reappointment as Assistant Federal Reserve Agent."

Approved unanimously.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Your telegram December 13. Board approves reappointment of Ray M. Gidney, William H. Dillistin, Herbert S. Downs and Harold V. Roelse as Assistant Federal Reserve Agents at your bank. Board also approves reappointment of William F. Sheehan, Jere V. D. Stryker, Alfred J. Hudson, Norman C. Cooper, and Robert H. Phinney, to act for Federal Reserve

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"Agent in issuing and retiring Federal reserve notes, and of W. Edgar Crosby as a Special Assistant to the Federal Reserve Agent at the Federal Reserve Bank of New York, with the understanding that he will not have power to act in the name and stead of the Federal Reserve Agent and will not have custody or control of, or access to, any currency or collateral in the custody of the agent or the joint custody of the agent and the bank."

Approved unanimously.

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

"Your letter December 14. Board approves reappointment of Arthur E. Post and Ernest C. Hill as Assistant Federal Reserve Agents, and J. Frank Rehfuess and Zell G. Ferner as Acting Assistant Federal Reserve Agents, at your bank."

Approved unanimously.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Board approves continuance of appointment of J. B. Anderson and Howard Evans as Assistant Federal Reserve Agents at your bank and also continuance of temporary appointment of W. H. Nolte and Clyde Harrell as Acting Assistant Federal Reserve Agents at your Pittsburgh and Cincinnati branches, respectively. Board also approves your continuance as Acting Federal Reserve Agent in accordance with arrangement of November 28, 1934."

Approved unanimously.

Telegram to Mr. Fry, Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Mr. Hoxton's telegram December 13. Board approves your reappointment as Assistant Federal Reserve Agent and reappointment of R. L. Shepherd as Acting Assistant Federal Reserve Agent at your bank; also temporary reappointment of L. E. Anderson and Charles E. Francis as

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"Acting Assistant Federal Reserve Agents at your Baltimore and Charlotte branches, respectively."

Approved unanimously.

Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Board approves continuance of your appointment as Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta. Board also approves continuance of appointment of J. R. McCravey, Jr., as Acting Assistant Federal Reserve Agent at your bank or at any of its branches."

Approved unanimously.

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

"Your letter December 13. Board approves reappointment of C. S. Young and George A. Prugh as Assistant Federal Reserve Agents at your bank, and of John H. Martin as Assistant Federal Reserve Agent at your Detroit branch. Board also approves reappointment of Carl Schelling to act for Federal Reserve Agent in the receipt and delivery of Federal reserve notes."

Approved unanimously.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Your letter December 13. Board approves reappointment of C. M. Stewart as Assistant Federal Reserve Agent, and William E. Peterson and Frank S. Parker as Acting Assistant Federal Reserve Agents at your bank. Board also approves temporary reappointment of L. A. Moore, L. T. Walker and J. P. Goldschmid as Acting Assistant Federal Reserve Agents at your Louisville, Memphis and Little Rock branches, respectively."

Approved unanimously.

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

"Your letter December 13. Board approves reappointment of F. M. Bailey and E. W. Swanson as Assistant Federal Reserve Agents at your bank. You were advised in Board's letter of December 3, 1935, of approval of appointment of Oliver S. Powell as Assistant Federal Reserve Agent, effective as of January 1, 1936. It is understood that Mr. Bailey will be retired on February 5, 1936. Board also approves appointment of A. W. Mills to act as alternate for Federal Reserve Agent and Assistant Federal Reserve Agents, when necessary, in capacities stated in your letter. Board feels that representative of Federal Reserve Agent should be responsible to agent and independent of bank and it is understood that Mr. Mills in his present position meets that requirement. Mr. Mills should execute a bond in the form accompanying letter of October 8, 1935, and he should not act as alternate for the Federal Reserve Agent or Assistant Agents until bond has been approved by Board. Before bond is forwarded to Board for approval, it 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.

Telegram to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Board approves continuance of your appointment as Assistant Federal Reserve Agent at Federal Reserve Bank of Kansas City and of H. H. Rhodes as Acting Assistant Federal Reserve Agent at your bank. Board also approves continuance of temporary appointment of T. Gordon Sanders, and J. C. Clark, Jr., as Acting Assistant Federal Reserve Agents at your Omaha and Oklahoma City branches, respectively."

Approved unanimously.

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

"Your telegram December 13. Board approves reappointment

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"C. C. Hall and W. J. Evans as Assistant Federal Reserve Agents at your bank, and temporary reappointment of D. S. Lawhon and C. P. Gowland as Acting Assistant Federal Reserve Agents at your Houston and San Antonio branches, respectively. In accordance your wire December 20, no action will be taken on continuation of temporary appointment of Acting Assistant Federal Reserve Agent at El Paso pending receipt of additional information from you."

Approved unanimously.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Board approves continuance of your appointment and that of Oliver P. Wheeler as Assistant Federal Reserve Agents at Federal Reserve Bank of San Francisco. Board also approves continuance of temporary appointment of Henry D. Swengel as Acting Assistant Federal Reserve Agent at your Los Angeles branch."

Approved unanimously.

Letter to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of November 30 with its inclosure of a copy of the request of The Community Bank, Napoleon, Ohio, that the submission and publication of the report of its affiliate, the Napoleon Mortgage Loan Company be waived by the Board. The request will be given consideration in connection with possible revisions in the general terms of waiver."

"Your comments with reference to the member bank's feeling that it is subject to some discrimination if reports of the Napoleon Mortgage Loan Company have to be submitted, while reports of the Commercial Mortgage Loan Company apparently do not, have been noted."

Approved unanimously.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

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"Receipt is acknowledged of copies of your letters of November 25, November 27, and December 3 to the Twin Falls Bank & Trust Co., Twin Falls, Idaho, the Almira St. Bank, Almira, Wash., and the Pacific St. Bank, South Bend, Wash., respectively, regarding republication of the reports of the affiliates of those member banks. Under the circumstances mentioned, republication of the reports referred to will not at this time be required."

Approved unanimously.

Memorandum dated December 26, 1935, from Mr. James with regard to the requests received from the Federal reserve banks for authority to make certain charge-offs at the end of the current year, to set up certain reserves, and to pay the regular semi-annual dividend at the end of 1935. The memorandum recommended that:

1. In view of the very substantial excess of market value over book value of United States Government securities held by the Federal reserve banks, no amounts be set aside at the end of 1935 as a reserve for depreciation on United States Government securities, but that the Federal Reserve Bank of Boston which proposed to transfer profits from the sale of United States securities to reserve for depreciation on United States securities, and the Federal Reserve Bank of San Francisco, which proposed to transfer all net earnings remaining after payment of dividends to reserve for depreciation on United States securities, be authorized to transfer to "Reserves for losses not elsewhere provided for" any net earnings remaining after the payment of dividends.
2. In accordance with the usual procedure, the Federal reserve banks be authorized to charge off the amount of furniture and equipment purchased during 1935.
3. The Federal reserve banks be authorized to set aside the usual 2% reserve on bank buildings and 10% reserve on fixed machinery and equipment; that the Federal Reserve Bank of New York be authorized to charge off \$82,000 net representing the value of the head office building destroyed in construction of the new addition and \$269,000

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representing the cost of alterations made necessary thereby, and to set up reserves of \$744,579 on the head office building and \$82,800 on the Buffalo branch building to reduce book value of the Buffalo building to a point where a 100% reserve will be attained in 30 more years by the normal 2% annual addition thereto and to increase the present reserve on the head office building by the difference between \$1,000,000 and the additional reserves of \$82,800 to be set aside on the Buffalo building, of \$159,000 on the annex building and \$13,000 on the building at Number 10 Gold Street; that the Federal Reserve Bank of Minneapolis be authorized to charge-off \$20,000 on the Helena branch building because of earthquake damage; and that the Federal Reserve Bank of Dallas be authorized to charge-off \$14,000 on the El Paso site, \$11,000 on the El Paso building, \$35,000 on the Houston building, and \$30,000 on the San Antonio building because present book values are very substantially in excess of market values.

4. The Federal Reserve Banks of Cleveland and Kansas City be authorized to set aside reserves of \$10,000 and approximately \$20,000, respectively, to cover prospective losses on industrial advances and commitments.
5. The Federal Reserve Banks of New York, and Chicago be authorized to set aside additional reserves for losses in the amounts of approximately \$1,301,000 and \$1,000,000, respectively, and that the Federal Reserve Banks of Cleveland, St. Louis and Minneapolis be authorized to transfer to their reserves for losses all net earnings remaining after the payment of dividends, and the Federal Reserve Bank of Richmond all such net earnings except a nominal amount.
6. The Federal reserve banks be advised that in the opinion of the Board the land acquired for the site for the Board's new building and the building should not be carried as an asset of the Federal reserve banks and that, accordingly, they are authorized to charge the assessments made against the respective banks to cover the cost of the site and the building to profit and loss.
7. The Federal Reserve Bank of New York be authorized

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to set aside an additional reserve of approximately \$59,000 for self insurance representing the income during 1935 on the investment of its self insurance reserve, and that the Federal Reserve Bank of Kansas City be authorized to set aside an additional reserve of approximately \$124,000 for self insurance representing the income during 1935 on the investment of its present self insurance reserve, and all net earnings remaining after the payment of dividends.

8. Pending submission of a supplemental memorandum, the Federal Reserve Bank of Chicago be advised that in lieu of paying \$1,300,000 to the Retirement System on its prior service liability as proposed by that bank, an additional amount of \$1,300,000, less the amount, if any, paid on its prior service liability at the end of the year in accordance with the five year plan outlined in the Board's telegram of December 21 may, if desired, be transferred to reserve for contingencies.
9. The Federal Reserve Banks of New York, Cleveland and Richmond be authorized to set aside the usual reserves for depreciation on other real estate, and that the Federal Reserve Bank of New York be authorized, in addition, to increase its reserves on the annex building by approximately \$159,000, and on the building at Number 10 Gold Street by approximately \$13,000 so that, on the basis of the 2% annual depreciation charge, the reserve will reach 100% in 30 more years.
10. The Federal reserve banks be instructed to follow the same procedure at the end of 1935 as was followed at the end of 1934 with respect to net earnings under Section 13b, i.e., allocate to funds received from the Secretary of the Treasury under Section 13b any net earnings or deficiency in earnings on industrial advances and commitments in the proportion that the average daily amount of funds received from the Secretary of the Treasury bears to the average amount of industrial advances and commitments outstanding; charge any loss so calculated to Surplus (Section 13b); pay to the Treasurer of the United States any net earnings so calculated up to 2% of the total payments received from the Secretary of the Treasury, and credit any remainder to Surplus (Section 13b).

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11. Each Federal reserve bank be authorized to pay the usual semi-annual dividend at the close of the year.

Recommendations approved unanimously.

Memorandum dated December 27, 1935, from Mr. James, stating that replies to the Board's telegram of December 21, 1935, with regard to the discharge by the Federal reserve banks of their prior service liability to the Retirement System over a period of five years at maturity value discounted at 2% per annum, had been received from all of the Federal reserve banks; that ten of the banks had given unqualified approval to the plan as outlined in the telegram; that the Federal Reserve Bank of Chicago had stated that the plan was agreeable but that the bank was of the opinion that the discount rate at which the funds would be accepted by the Retirement System should be a matter for negotiation between the Retirement System and the contributing banks if money rates in the open market should become lower than at present; and that the Federal Reserve Bank of Minneapolis had stated that four of the directors, at a meeting on December 23, had decided that they would be willing to recommend to the full board the advancing of payments provided the bank would be allowed to take the full amount of its contribution from surplus at this time and either pay it to the Retirement System immediately or set it up as a reserve on its books for future payments as outlined. The memorandum recommended that the plan of advanced payments be approved by the Board (which would include the authorization for advance payments by the Board as an "employing

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"bank") and the Federal reserve banks be advised accordingly; that the Federal Reserve Bank of Minneapolis be advised that the Board will interpose no objection to that bank setting up a reserve for contingencies at the end of the year equal to the prior service liability payments which it will be required to make under the plan outlined in the Board's wire of December 21, during the calendar years 1936 to 1939, inclusive, with the understanding that the bank will charge to current expenses each month during such period the proper proportion of its unpaid liability for prior service as calculated by the Retirement System's actuary; that in view of advice received from Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago, that bank be authorized to set aside a reserve at the end of 1935 in the amount of \$1,347,924 to discharge its prior service liability to the Retirement System, instead of \$1,300,000 as recommended in the memorandum of December 26 above referred to.

Approved unanimously.

Telegram to Governors Schaller and McKinney of the Federal Reserve Banks of Chicago and Dallas, respectively, reading as follows:

"In accordance with provisions of paragraph (a) of Section 3 of revised Regulation D, Board approves change in weekly reserve computation period for reserve city banks in your district located outside the Federal Reserve bank and branch cities, so that it will end on Friday instead of Wednesday as at present, such change to be effective with the report period ending Friday, January 3, 1936. Incident to that change the report for the first period on the new basis should cover nine days."

Approved unanimously.

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Telegram to the governors of all Federal reserve banks, reading as follows:

"In accordance with provisions of paragraph (a) of Section 3 of revised Regulation D, Board has recently approved change in weekly reserve computation periods in three districts for reserve city banks located outside the Federal Reserve bank and branch cities so that such periods will end on Friday. With these changes the reserve computation periods in all districts according to Board's records are uniform, that is, all semi-weekly periods end on Tuesdays and Fridays, weekly periods on Fridays, and semi-monthly periods on the 15th and last business days of the month."

Approved unanimously.

Memorandum dated December 21, 1935, from Mr. Smead, Chief of the Division of Bank Operations, referring to his previous memorandum of November 19 with regard to an inquiry made of Mr. G. O. Barnes, Executive Assistant to the Treasurer of the United States by the Federal Reserve Bank of New York regarding the procedure to be followed in having \$2,000,000,000 of gold certificates shipped from the Treasury to the Federal Reserve Bank of New York, \$1,500,000,000 for the Federal reserve bank, and \$500,000,000 for the Federal Reserve Agent. In that memorandum it was stated that it was understood that if gold certificates were sent to New York they would be shipped under Government frank but that the certificates would have to be insured and that the insurance would cost approximately \$57,000 or \$58,000; that while the Treasury would pay insurance charges on ordinary shipments it did not feel that it should absorb an insurance charge of over \$50,000 on shipments of gold certificates to the Federal Reserve Bank of New

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York; that on November 18 Mr. Coe, Deputy Governor of the Federal Reserve Bank of New York, called Mr. Smead with respect to the proposed shipment and suggested that it might be possible to arrange to have the certificates sent to New York under special guard, thus avoiding the insurance charge; and that he (Mr. Smead) had discussed the matter with Deputy Governor Rounds of the New York bank, who was in Washington at that time, and had been advised that the latter would discuss the matter upon his return to New York with Governor Harrison and advise further with regard thereto. The memorandum dated December 21 stated that advice had now been received that Governor Harrison desired to have the \$2,000,000,000 of gold certificates shipped to the New York bank by the Treasury Department and that the Federal reserve bank would like to have the shipment made under armed guard thus avoiding the insurance charge; that advice had also been received from the office of the Treasurer of the United States that this would be agreeable to the Treasury provided the Federal Reserve Bank of New York would pay the cost of shipment which would be less than \$100; and that Mr. Coe, Deputy Governor of the bank, had advised that the bank was willing to pay the cost and would like to have the shipment made as soon as convenient. The memorandum also stated that if the Board saw no objection to this procedure, Mr. Coe would be asked to make the necessary arrangements direct with Mr. Barnes with respect to the shipment.

No objection was interposed.

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Thereupon the meeting adjourned.

Walter Moore
Secretary.

Approved:

W. S. Scales
Chairman.