

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 31, 1936, at 11:30 a. m.

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

Mr. Morrill, Secretary  
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 December 26, 1935, and January 24, 27, 28, and 29, 1936, were approved unanimously.

The minutes of the meeting of the Executive Committee of the Board of Governors of the Federal Reserve System held on January 25, 1936, were approved and the actions recorded therein were ratified unanimously.

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Letters to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, stating that the Board approves the establishment without change by the New York bank on January 30, the Philadelphia bank on January 29, and the Atlanta bank on January 31, 1936, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

1/31/36

-2-

Memorandum dated January 30, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that an additional leave of absence with pay on account of illness be granted to Mr. Frank R. Garfield, a research assistant in the Division, for a period not to exceed thirty days from February 4, 1936.

Approved unanimously.

Letter to the board of directors of "The St. Marys State Bank", St. Marys, Kansas, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved unanimously, together with a letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The St. Marys State Bank', St. Marys, Kansas, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Kansas for his information.

"It has been noted that the report of examination of the bank as of December 11, 1935, made in connection with the bank's application for membership contains numerous criticisms regarding operating matters and the inadequacy of the fidelity bonds. According to the memorandum submitted with the application, you have received assurances that corrections of some of the criticized matters will be effected. It is assumed that you will satisfy yourself that such corrective measures are taken and that other matters criticized by your examiner will receive proper attention."

1/31/36

-3-

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

"Reference is made to Mr. Gidney's letters of June 6, and November 15, 1935, relative to the apparent noncompliance of 'The Mount Vernon Trust Company', Mount Vernon, New York, with the following conditions of membership prescribed in connection with admission of the trust company to membership on June 4, 1935:

19. Such bank shall make adequate provision for depreciation in its banking houses and furniture and fixtures, in amounts which in any one year shall be not less than 2 per cent of the carrying value of its banking houses and 10 per cent of the carrying value of its furniture and fixtures after the charge-offs incident to the reorganization.
21. Such bank, at the time of admission to membership, shall have assets and liabilities substantially the same in amount and character as shown in the pro forma statement in the report of a survey as of October 14, 1933, made by an examiner for the Federal Reserve Bank of New York, except that the equity note to be acquired from the Mortgage Company shall be reduced by the payment of \$500,000 in cash and a further sum of approximately \$300,000 through the application of restricted balances as offsets on collateral held by the Reconstruction Finance Corporation.
26. Prior to admission to membership, the plan of reorganization shall be amended to provide that the right of substitution for assets held by the Community Recovery Fund shall be unlimited in amount and shall be extended to any of the assets of the Mortgage Company which such bank may acquire in settlement of the equity note of the Mortgage Company given in connection with the reorganization.

"The report of examination as of June 8, 1935, and the reports of condition and earnings and dividends as of December 31, 1935, indicate that the trust company is making proper provision for depreciation in furniture and fixtures and that depreciation of \$7,360 was provided for banking house during the year 1935, which is equal to approximately 2 per cent of the carrying value of the banking house and may be considered as substantial com-

1/31/36

-4-

"pliance with condition numbered 19 for the present.

"With respect to condition numbered 21 it is noted that at the time of reopening and admission to membership the trust company failed to reduce the book value of its banking house, furniture and fixtures, and other real estate to conform to the pro forma statement as required by such condition and that these assets were taken over at the values as allowed in a subsequent report of examination made by the State Banking Department which were approximately \$131,000 more than the values allowed by your examiner in his report of a survey as of October 14, 1933. Some reduction has been made in the carrying value of the banking house and furniture and fixtures through transfer of the branch banking quarters to other real estate, the sale of safe deposit equipment to the Mount Vernon Safe Deposit Company, and through depreciation, but a further write-down would be necessary to reduce these assets to the appraised values allowed in the pro forma statement and make provision for depreciation since admission to membership as required by condition numbered 19.

"In view of all the circumstances surrounding the reorganization of this institution, its large capital structure and your recommendation in the matter, the Board will not require further compliance with condition numbered 21 at this time. However, it is expected that the trust company will reduce the carrying value of these assets as soon as possible to conform to the values allowed in the pro forma statement and you are requested to keep in touch with the situation and advise the Board when full compliance with the condition has been accomplished.

"With respect to condition numbered 26 the Board has reviewed the information submitted from which it appears that no useful purpose will be served by extending the right of substitution in the assets of the Community Recovery Fund to such assets as may be acquired from the Mortgage Company since the estimated losses now in the trust company will apparently absorb all of the cash and collectible assets of the Community Recovery Fund. In the circumstances, and in view of your recommendation, the Board will not require any further action on the part of the trust company to extend its right of substitution in the assets of the Community Recovery Fund to cover assets it might acquire from the Mortgage Company. Please advise the trust company accordingly."

Approved unanimously.

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

1/31/36

-5-

"This refers to your letter of January 16, 1936, and inclosures, regarding the Bank of Spanish Fork, Spanish Fork, Utah.

"The Board concurs with the opinion expressed by the counsel for your bank that the standard condition of membership numbered 3, set forth in section 6 of the Board's revised Regulation H, does not prohibit the sale in one or more isolated cases of a note secured by a mortgage, but prohibits a member State bank from engaging in the business of issuing or selling notes, bonds, mortgages, certificates or other evidences of indebtedness representing real estate loans."

Approved unanimously.

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

"Reference is made to your letters of January 22 and January 23, 1936, regarding the plan proposed by 'Trust Company of Georgia', Atlanta, Georgia, and its wholly owned subsidiary, 'Trust Company of Georgia Associates', whereby:

1. Trust Company of Georgia Associates will increase its present indebtedness of approximately \$1,300,000 by \$200,000 for the purpose of purchasing \$200,000 of new common stock of The Liberty National Bank & Trust Company of Savannah, Savannah, Georgia, a bank in the group, and retiring a like amount of such bank's preferred stock now held by the Reconstruction Finance Corporation.
2. During the current year Trust Company of Georgia will contribute to Trust Company of Georgia Associates approximately \$1,500,000 from its nonbook assets and during the year the Trust Company of Georgia Associates will retire all or approximately all of its indebtedness.

"It is understood that the contribution referred to above will be made from the nonbook assets of the Trust Company of Georgia; that none of the trust company's admitted assets or assets which are shown as part of its banking assets will be used in handling the transaction; and that no portion of such nonbook assets will be reinstated on the books of the bank as a result of the transaction.

"The plan has been advanced as a constructive measure to improve the general situation of the group as a whole without impairing the position of the Trust Company of Georgia. It has been noted that the plan has been approved by the Superintendent of

1/31/36

-6-

"Banks of the State of Georgia, and that counsel for the Federal Reserve Bank is satisfied that the consummation of the plan will not involve a violation of any of the provisions of the Federal Reserve Act.

"In the circumstances, the Board will interpose no objection to the transactions as outlined above."

Approved unanimously.

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"The Board's attention has been called to a case where a State member bank having a capital of less than \$50,000, and situated in a place the population of which does not exceed 3,000 inhabitants, desires to reduce its capital to an amount not less than \$25,000, through the retirement of capital debentures issued to the Reconstruction Finance Corporation. As you know, a national bank may not be organized with a capital of less than \$50,000, whereas a State bank located in a town the population of which does not exceed 3,000 inhabitants may be admitted to membership in the Federal Reserve System, under certain conditions, with a capital of not less than \$25,000.

"The Board has held, under applicable provisions of the Federal Reserve Act, that where a State member bank reduces its capital to an amount below that required for the organization of a national bank in the place where the State member bank is located it is a violation of the technical requirements of the Federal Reserve Act for which the bank's membership might be forfeited. However, whether such action should be taken in any case is a matter involving the exercise of a discretion by the Board. On the basis of the facts involved in the case described above, the Board felt that the proposed action by the State member bank referred to did not constitute a violation of the purposes of the requirements of the Federal Reserve Act, and that the Board would be justified in raising no objection to the proposed retirement of capital debentures. In reaching this conclusion, the Board was influenced by the fact that the State member bank could withdraw from the System, effect the retirement of the capital debentures, and, in view of its location in a place with a population of less than 3,000 inhabitants, still have sufficient capital to meet the requirements of the Federal Reserve Act for readmission to membership in the System.

"It is understood that a number of State member banks located in places with a population of less than 3,000 inhabitants have issued preferred stock or capital notes or debentures at a time

1/31/36

-7-

"when they were in need of additional capital on account of the condition of their assets to enable them to meet the demands of their depositors or for other purposes. Some of these banks may now be in a position to retire preferred stock or capital notes or debentures without affecting the soundness of their capital structures and without jeopardizing the interests of depositors or other creditors. In the circumstances, you are authorized to state that the Board will interpose no objection to reductions of capital notes or debentures sold to the Reconstruction Finance Corporation or preferred stock by State member banks located in places having a population which does not exceed 3,000 inhabitants, where, in your opinion, all of the circumstances involved warrant such a reduction and where, after such reduction is accomplished, the member bank will have a capital of at least \$25,000. In considering a reduction in any such case, you should be guided by the principles and instructions contained in the Board's letter of December 15, 1934 (X-9048) relating to approval of reductions of preferred stock or capital notes or debentures generally."

Approved unanimously, together with a letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"This refers to the application of 'The First State Bank', Kosse, Texas, for permission to retire \$5,000 of its \$10,000 of outstanding capital debentures issued to the Reconstruction Finance Corporation. It will be appreciated if you will handle the matter in accordance with the instructions contained in the attached letter to all Federal Reserve Agents."

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St.

Louis, reading as follows:

"Reference is made to your letter of January 18 advising that the Board's letter of December 21 was received after the last regular meeting of the Board of Directors of your bank in 1935 and that, accordingly, the entries suggested in the Board's letter were not made prior to the closing of the bank's books on December 31, 1935.

"If, as we understand, you are now carrying in the account 'Sundry items receivable' certain amounts included in the earnings of your bank for 1935 on closing of the bank's books on December 31, 1935, which have not been collected and in connection with which there is considerable doubt as to collectability, it

1/31/36

-8-

"is suggested that such amounts be charged to earnings in 1936 if, before the end of 1936, it is definitely ascertained that they are not collectable. Similarly, charges should be made to Profit and Loss covering any amounts included in earnings for 1934 if it is definitely ascertained that they are not collectable. This procedure is that contemplated in the Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements in cases where errors are found in the amount of earnings reported for a preceding year."

Approved unanimously.

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

"This refers to your letter of January 22, 1936, relating to the status of First National Company of Bradenton, Bradenton, Florida, as a holding company affiliate under the provisions of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935.

"The Board has determined that First National Company of Bradenton is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, that corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to First National Company of Bradenton advising it concerning the Board's action in this matter. Please transmit the letter to that corporation. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection, it is requested that you advise the Board if, at any time, you believe this matter should again be considered by it."

Approved unanimously, together with a letter to the First National Company of Bradenton, Bradenton, Florida, reading as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of First National Bank of Bradenton, Bradenton, Florida,



1/31/36

-9-

"and to the general voting permit issued to your corporation on December 9, 1933.

"The Board understands that your corporation was organized and is operated for the purpose of engaging in the mortgage loan business; that your corporation owns or controls all of the 1,250 outstanding shares of preferred stock of First National Bank of Bradenton and 300 of the 1,000 outstanding shares of common stock of such bank; that the purchase of such stock was a part of a plan for the recapitalization of such bank and was financed through a loan from the Reconstruction Finance Corporation secured by such stock; that your corporation does not hold stock of, or manage or control, any other bank; and that your corporation was not organized and is not operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, your corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your corporation acquires control of any other bank, or the facts should at any time otherwise differ from those stated herein to an extent which would indicate that your corporation might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts.

"In view of the fact that your corporation is no longer a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act, the general voting permit heretofore issued to your corporation is void and of no effect. If your corporation should later be determined by the Board to be a holding company affiliate subject to the provisions of law relating to voting permits, it would be necessary for your corporation to obtain a new voting permit before it could lawfully vote the stock of a member bank."

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

"Your wire January 28. Board's telegram December 28 advised that action stated therein was taken pending action by

1/31/36

-10-

"Federal Deposit Insurance Corporation on its regulations relating to payment of interest on deposits by insured non-member banks and in view of fact that Federal Deposit Insurance Corporation has now issued its regulations, it is felt that member banks should be further advised as indicated in TRANS. 2366 in order to prevent possible misunderstanding or uncertainty as to status of subsection (f) of section 1 of Regulation Q."

Approved unanimously.

Telegram to Mr. Sproul, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Your letter January 30. Board approves action your directors in authorizing officers of your bank to open and maintain an account on your books in name of Central Bank of China and to carry out operations in this market for that bank along substantially same general lines and subject to substantially same terms and conditions as for other central banks having accounts with you. It is noted that action your directors restricts relations to be established to opening of a one-way account. Please forward to Board copy of your communication to Central Bank of China setting forth terms and conditions upon which account with that institution will be opened and maintained together with copy of bank's acceptance of such conditions. Board approves participation in account by any Federal reserve banks which may desire to participate and is advising them accordingly."

Approved unanimously.

Letter to Governor Harrison of the Federal Reserve Bank of New York, as Chairman of the Federal Open Market Committee, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"The Board of Governors of the Federal Reserve System has received and considered your letter of January 23, 1936, in which you quote three resolutions adopted by the Federal Open Market Committee at its meeting in Washington on January 21, 1936, one of which reads as follows:

1/31/36

-11-

"The Committee has considered the preliminary memorandum and has reviewed the credit situation. It is the sense of the Committee that, so far as business, credit, and banking conditions are concerned, there is nothing in the present situation to prompt the Committee to change its views as expressed in its resolution adopted on December 18th, which the Committee respectfully renews.

'The Committee recognizes that the risks of action are somewhat increased by the present budgetary situation, but it recognizes also that the longer action is delayed, the greater are the dangers resulting from the combination of inordinately large excess reserves and an unbalanced budgetary position, and the greater will be the difficulty of taking remedial action.

'Viewing the situation as a whole, the Committee strongly believes that action looking toward a substantial reduction in excess reserves should be taken as soon as this may be feasible, in the judgment of the Board of Governors of the Federal Reserve System, having in mind the advantages of a coordinated program of recovery.'

"At the meeting of the Federal Open Market Committee with the Board of Governors on December 18, 1935, there was approved by a unanimous vote of the members of the Board and the Committee present, a joint statement which was issued to the press and which expressed the opinion (1) that continued improvement had been made in business and financial conditions but that the country was still short of a full recovery; (2) that the primary objective of the System at that time was still to lend its efforts to a furtherance of recovery; (3) that there was at that time no evidence of over-expansion of business activity or of the use of business credit; (4) that the then existing volume of member bank reserves, which had been greatly increased by imports of gold from abroad, continued to be excessive, far beyond the present or prospective requirements of credit for sound business expansion, and that, therefore, the special problem created by the continuing excess of reserves had had and would continue to have the unremitting study and attention of those charged with the responsibility for credit policy in order that appropriate action might be taken as soon as it appeared to be in the public interest.

"Since the issuance of that statement the Board has given constant attention to current developments. As you know, on January 24, 1936 the Board increased from 45 percent to 55 percent, effective February 1, 1936, the highest margins

1/31/36

-12-

"required on security loans by brokers and dealers. This action was taken in the light of recent trends in the securities markets and for the purpose of preventing the excessive use of credit to finance transactions in securities.

"Aside from this element in the general credit situation, however, with which the Board is endeavoring to deal by specific action under authority of the Securities Exchange Act of 1934, there appears to be no material change in the situation as it existed on December 18, 1935, which would require further action by the Board at this time. The Board will, however, continue to give its close attention to the situation and will act whenever in its judgment it is advisable for it to do so.

"The Board has noted with approval the resolution which authorizes the executive committee of the Federal Open Market Committee to make shifts between maturities of Government securities in the System account up to \$500,000,000, provided that the amount of securities maturing within two years be maintained at not less than \$1,000,000,000 and that the amount of bonds be not over \$300,000,000; this authority being necessary to enable the executive committee, in the proper administration of the account, to meet changing market conditions.

"Inasmuch as any action proposed under the third resolution adopted by the Committee is made subject to the approval of the Board, no action by the Board is required with respect thereto at this time.

"A copy of this letter is being sent to the chairman of the board of directors of each Federal Reserve bank."

Approved unanimously.

Letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"This refers to Mr. Young's letters of July 8, 1935 and October 25, 1935, relating to the request of the Continental National Bank and Trust Company, Chicago, Illinois, for a ruling of the Board of Governors as to whether the bank is required by the provisions of section 19 of the Federal Reserve Act and the Board's Regulation D to maintain reserves against so-called 'uninvested trust funds'. Mr. Young states that officers of the Continental National Bank and Trust Company are of the opinion that no such reserves are required, inasmuch as the bank has no commercial department and exists solely for the purpose of trust department administration.

1/31/36

-13-

"It appears from the information which has been furnished to the Board in this connection that the Continental National Bank and Trust Company since 1929 has done no commercial banking business and has no commercial department; that it has been engaged entirely in administering the trusts of which it is trustee and endeavoring, by court decree or otherwise, to terminate these trusts or to secure the appointment of substitute trustees; that the uninvested trust funds in question consist of odd amounts of uninvested funds in the various trusts of which the bank is trustee, which vary in amount from day to day; that a part of such funds together with the capital assets of the bank are invested in United States Government securities; that such securities are held for the account of the bank and income derived therefrom is retained by the bank; that the bank has pledged Government obligations against such uninvested trust funds in accordance with the requirements of section 11(k) of the Federal Reserve Act; and that such uninvested trust funds are reported as deposit liabilities in the statement of condition furnished by the bank to the Comptroller of the Currency.

"After a consideration of the character of the uninvested trust funds in question and of all the other circumstances of the case in the light of the applicable provisions of the law and of the Board's Regulation D, the Board of Governors has reached the conclusion that the maintenance of reserves by the bank against such uninvested trust funds is not required. Please advise the Continental National Bank and Trust Company accordingly."

Approved unanimously.

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

"Receipt is acknowledged of your letter of January 17, from which it is noted that, in submitting semi-monthly reports of deposits for reserve purposes in accordance with the revised reserve formula outlined in the Board's letter X-9397 of December 19, 1935, a number of member banks showed allowable deductions but calculated their reserve requirements against gross demand deposits, while others merely reported gross deposits and also calculated their required reserves on the basis of gross deposits. It is noted further that in most cases no comment was made by the reporting member banks, but that one explained its action as follows:

'On account of our reserve balance being so much in excess of Federal Reserve requirements, and

1/31/36

-14-

"in order to save time in calculations, deductions are waived on this report."

"The form prescribed by the Board in its letter X-9397 of December 19, 1935, for use by member banks in submitting current reports of deposits to Federal Reserve banks for reserve computation purposes contemplates that every member bank shall report the amount of its (1) gross demand deposits, (2) balances subject to immediate withdrawal due from other banks, (3) cash items in process of collection, and (4) time deposits. Please, therefore, advise any member bank concerned that, regardless of whether or not it desires to have allowable deductions taken into consideration in the determination of its reserve requirements, the amount of each of the four items must be shown in the required report of deposits submitted pursuant to the Board's letter above referred to.

"It might be well to call the attention of such banks to the fact that, in reports of deposits submitted for reserve computation purposes, cash items forwarded to a correspondent bank for collection and credit and charged to 'due from banks' may be included in 'balances subject to immediate withdrawal due from other banks', instead of in 'cash items in process of collection'. This suggestion is made because some member banks apparently are under the impression that they must keep a separate record of all cash items in process of collection, if they wish to deduct such items from gross demand deposits. This confusion has resulted partly from the requirements of the Federal Deposit Insurance Corporation that such a record must be kept if the bank wishes to deduct 'float' in determining the amount of deposits subject to assessment for insurance purposes."

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

Letter to Mr. Clerk, Deputy Governor of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of December 26 with respect to the provisions in the revised Regulation H governing the publication of condition reports rendered by State bank members to Federal Reserve banks.

"On the basis of the information contained in your letter it would not seem that the Daily Commercial News has a general circulation or that one of its primary functions is the dissemination of news of general interest. It appears to be a specialized

1/31/36

-15-

"paper devoting itself, as stated immediately following the name of the paper, to finance, shipping, oil, mining, insurance, trade, and industries.

"It will be appreciated if you will bring this matter to the attention of Mr. Sargent and ask him to keep us advised from time to time of any instances which may come to his attention of banks publishing their official condition statements in papers which apparently do not conform to the requirement specified in the Board's regulations governing the publication of such reports."

Approved unanimously.

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

"This refers to your letter of December 13, 1935, with inclosure, from which it appears that Mr. Sherman P. Houston, who is chairman of the board of directors of Wood & Huston Bank, Marshall, Missouri, a State member bank, is also a partner with his brother in the firm of L. N. & S. P. Houston, each having an equal one-half interest in such firm. You inquire whether, in view of the provisions of section 2 of the Board's Regulation O, a member bank is permitted to extend credit to a partnership in which an executive officer of such bank has a 50 per cent interest therein.

"Under the provisions of subsection (g) of section 22 of the Federal Reserve Act, as amended by the Banking Act of 1935, 'borrowing by, or loaning to, a partnership in which one or more executive officers of a member bank are partners having either individually or together a majority interest in said partnership shall be considered within the prohibition of this subsection'. In the case of an executive officer of a member bank who has exactly a 50 per cent interest in a partnership, such an interest would not amount to a 'majority' interest within the meaning of that term as it is generally understood and it is, therefore, the view of the Board that the prohibitions contained in section 2 of the Board's Regulation O are not applicable to such a partnership.

"Moreover, it is a well settled rule of law that partners are presumed to have equal interests in the firm in the absence of competent evidence of an agreement to the contrary. In view of this legal presumption and the statement that Mr. Sherman P. Houston does not have a majority interest in the partnership, you are authorized to advise the Wood & Huston Bank that the

1/31/36

-16-

"provisions of section 22(g) of the Federal Reserve Act and the Board's Regulation O are not applicable to the partnership in question."

Approved unanimously.

Letter to Mr. Wm. I. Howbert, President, The First National Bank, Colorado Springs, Colorado, reading as follows:

"This refers to your letter of December 28, 1935, in which you state that the chairman of the board of directors of your bank merely presides over meetings of the board and that during the six months of each year spent in Colorado Springs his activities in connection with the bank are only those of a director. You suggest that the board of directors of your bank pass a resolution expressly providing that the duties of the chairman are not of an executive nature, or amending the by-laws to this effect, and upon this basis you inquire whether it would be possible for the Board of Governors of the Federal Reserve System to except the chairman of the board of directors of your bank from the classification of an executive officer.

"The chairman of the board of directors of a bank in many instances exercises executive functions in addition to merely presiding at meetings of the board of directors, and it is generally understood by the public that the chairman of the board of directors of a bank performs such functions. At the time of its consideration of Regulation O, the Board was aware of the fact that some banks had honorary or inactive officers who did not actively participate in the management of the bank, but it was the view of the Board that bank officials whose titles may cause the public to consider them executive officers should comply with the rules governing executive officers. Also, Congress did not make a distinction in section 22(g) of the Federal Reserve Act between active and inactive officers, and the Board, in prescribing a general rule applicable to all member banks alike, did not feel that it should make such a distinction when defining the term 'executive officer' pursuant to the authority vested in the Board by the law. Accordingly, the chairman of the board of directors has been included within the definition as contained in subsection (b) of section 1 of the Board's Regulation O, whether or not he is active.

"The Board also considered the suggestion that a provision be included in the regulation to the effect that a person, even though he holds one or more positions specified in the Board's Regulation O, such as president or chairman of the board of directors, would not be considered an executive officer of



1/31/36

-17-

"the bank if his duties were restricted by a resolution of the board of directors or by a provision in the by-laws of the bank. The Board, however, for the reasons indicated above, did not feel that it should make such an exception in the regulation and, accordingly, it would not be fair to the other banks to which the regulation is applicable to except the chairman of the board of your bank from the provisions of the regulation on such a basis."

Approved unanimously.

Letter to Mr. Strater, Deputy Governor of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of January 14 in regard to the assessment to be paid by your bank on account of the building to be erected for the Board of Governors.

"In accordance with the precedent established at the end of 1935, assessments on account of the cost of constructing a building for the Board of Governors should be charged to profit and loss. There does not appear to be any objection to carrying the amount of such assessments in suspense account until the bank's books are closed at the end of the year."

Approved unanimously.

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

"This refers to your letter of January 17, 1936, relative to certain apparent violations of the provisions of section 5209 of the Revised Statutes and section 22(g) of the Federal Reserve Act on the part of certain officers of the Brownfield State Bank, Brownfield, Texas. It is noted that you have reported these matters to the local United States Attorney.

"In connection with the possible violations of section 22(g) by Mr. W. H. Dallas, President, Mr. Leo Holmes, Cashier, and Mr. James Dallas, Assistant Cashier, it appears that such violations occurred subsequent to August 23, 1935, the date of the enactment of the Banking Act of 1935, and therefore the criminal penalties theretofore provided are not applicable and matters of this kind should not be reported to the local United States Attorney unless you feel that such violations also constitute possible violations of section 5209 of the Revised Statutes. In this connection, the Board understands

1/31/36

-18-

"that the Department of Justice has taken the position that in some circumstances violations of section 22(g) involving overdrafts may constitute wilful misapplications of the bank's funds and may be prosecuted as such under section 5209 of the Revised Statutes without regard to section 22(g).

"In view of all the circumstances and since you have already reported this matter to the local United States Attorney, the Board is making a similar report to the Attorney General of the United States. However, it is suggested, if you have not already done so, that you request Messrs. Dallas and Dallas to take immediate steps to eliminate their indebtedness in question and to advise you of the action taken. With respect to Mr. Holmes it is noted that his indebtedness has been paid. If correction has not been obtained or is not effected immediately, it is suggested that you consider the advisability of proceeding in accordance with the provisions of section 30 of the Banking Act of 1933."

Approved unanimously, together with a letter to the Attorney General of the United States, reading as follows:

"There are inclosed for such action as you consider advisable two copies of a letter with inclosures, which the Federal Reserve Agent at the Federal Reserve Bank of Dallas addressed to the United States Attorney at Fort Worth, Texas, under date of January 17, 1936, reporting possible violations of the provisions of the banking laws of the United States by Mr. N. B. Hilyard, formerly Assistant Cashier, Mr. W. H. Dallas, President, Mr. Leo Holmes, Cashier, and Mr. James Dallas, Assistant Cashier of the Brownfield State Bank, Brownfield, Texas, a member of the Federal Reserve System.

"Your attention is invited to the possible violations of section 22(g) of the Federal Reserve Act by Mr. W. H. Dallas, Mr. Leo Holmes, and Mr. James Dallas. You will note that these apparent violations were incurred subsequent to August 23, 1935, the date of the enactment of the Banking Act of 1935 which repealed the criminal penalties for violations of such section occurring after that date. However, since these apparent violations might also constitute violations of section 5209 of the Revised Statutes, and since the matter has already been reported to the United States Attorney, the matter is also referred to you for such action as you consider advisable."

Letter to Mr. N. E. Larson, Compiling Supervisor, Rand McNally Bankers Directory, Chicago, Illinois, reading as follows:

1/31/36

-19-

"This refers to your letter dated December 6, 1935, in which you state that in compiling a total of State bank liabilities and resources you are faced with the problem as to whether or not the liabilities and resources of Morris Plan banks and industrial banks should be included in such total.

"As an illustration of your difficulty, you state that the State Banking Department of Minnesota has advised you that Morris Plan banks are not permitted to do an ordinary banking business and that the liabilities and resources of such banks are not included in the consolidated report of State banks in Minnesota, whereas, the Duluth Morris Plan Company, Duluth, Minnesota, has advised that it is a bank and has cited a ruling of the Board dated February 6, 1934, in support of such position.

"You ask to be advised whether the Board has a complete record of the status of Morris Plan banks in each State and you also ask whether there is any certain way in which a determination may be made as to whether Morris Plan banks and industrial banks should be classified as 'banks'.

"The ruling of the Board dated February 6, 1934, referred to by the Duluth Morris Plan Company held that such company was included in the term 'bank, banking association or trust company' as used in section 8 of the Clayton Anti-Trust Act which deals with interlocking directorate relationships between banks. In several other cases, the Board, after an examination of the statutes under which particular Morris Plan banks were organized, has determined that such banks were included within the word 'banks' as used in certain sections of the Federal Reserve Act. However, the Board has no official record of the status of Morris Plan banks in each State, but you may be able to obtain data satisfactory for your purposes from the Morris Plan Bankers Association, 15 East Fayette Street, Baltimore, Maryland.

"Section 9 of the Federal Reserve Act provides that 'any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, including Morris Plan banks and other incorporated banking institutions engaged in similar business' may become members of the Federal Reserve System. However, no Morris Plan bank is at present a member of the System. If any Morris Plan bank should become a member of the System, the Board would undoubtedly include the liabilities and resources of such bank in the total liabilities and resources of all member banks in compiling its statistics.

"The Board does publish certain statistics relating to all banks in the United States and, in such cases, it obtains

1/31/36

-20-

"figures for State nonmember banks from data furnished by State banking departments. As indicated in your letter, some of these State banking departments include Morris Plan Banks and industrial banks in their reports, whereas, others do not. It will be noted that at page 879 of the December, 1935, issue of the Federal Reserve Bulletin, a copy of which is inclosed herewith, there appears a statement of the principal assets and liabilities of all banks in the United States. Footnote 1 at the bottom of page 882 reads as follows:

'Comprises all licensed State commercial banks, trust companies, mutual and stock savings banks, and such private and industrial banks as are included in abstracts issued by State banking departments. Also includes, beginning with June 1934, private banks which, pursuant to the provisions of sec. 21(a) of the Banking Act of 1933, agreed to examination by the Comptroller of the Currency or a Federal Reserve bank and rendered condition reports to the Comptroller of the Currency under the same conditions as national banks; for comparative figures of private banks included in this compilation, see the next following table.'

"Although it is believed that the liabilities and resources of Morris Plan banks and industrial banks are small in proportion to the total liabilities and resources of all State banks and, therefore, that the omission of the figures relating to Morris Plan banks and industrial banks would not greatly affect the total, nevertheless, it is the view of the Board that, where figures relating to such banks are available, they may properly be included in the total of the liabilities and resources of all State banks.

"It is hoped that the above discussion will be of assistance to you in arriving at a satisfactory method of making your compilation. The stamped self-addressed envelope inclosed with your letter is returned herewith."

Approved unanimously.

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

"There is returned herewith the manuscript of the proposed pamphlet descriptive of the Federal Reserve System transmitted to the Board some weeks ago.

1/31/36

-21-

"The material which was submitted has been checked over by the Division of Research and Statistics and the Counsel's office. With respect to most of the material only minor suggestions have been made, but on pages 1-4, 7, 8, 11, and 12 of the manuscript as submitted it seemed desirable to make material alterations. Since the manuscript had become considerably marked up, it has been recopied.

"No objection has been raised with respect to most of the charts, designs, and pictures. The artist's design for the cover, however, seems very bad, and it is hoped that a better one will be found. It is suggested that the organization chart marked #3, for insertion on page 8, which creates the impression of almost complete member bank control and is misleading in other respects, be omitted."

Approved unanimously.

Memorandum dated January 31, 1936, from Mr. Morrill recommending that the Board approve the leasing in the Shoreham Building of Rooms 617 and 618, containing approximately 500 square feet, and adjoining the space now occupied by the Board on the sixth floor of that building, at a monthly rental of \$104.17, beginning February 1, 1936, on the same terms as the Board's present leases in the Shoreham Building.

Approved unanimously.

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

"Reference is made to your letter of January 8, 1936, in reply to the Board's letter of November 5, 1935, relative to the Clayton Act application of Mr. John Milton for permission to serve at the same time as director of Hudson County National Bank, Jersey City, Commonwealth Trust Company, Union City, and United States Trust Company of Newark, Newark, all of New Jersey.

"It is noted from your letter that in your opinion and in the opinion of counsel for your bank, the cities of Newark and Union City, New Jersey, are not 'contiguous or adjacent' within the meaning of the Board's interpretation of those terms as set forth in footnote numbered 8 of the revised Regulation

1/31/36

-22-

"L, effective January 4, 1936; the cities of Union City and Jersey City, New Jersey, are 'contiguous or adjacent' within the meaning of the Board's interpretation; and while Jersey City and Newark, New Jersey, are technically 'contiguous' they do not appear to be 'adjacent'. Accordingly, you request a ruling on the question whether the prohibition of section 8 of the Clayton Act, as amended, is applicable to the services of Mr. Milton with Hudson County National Bank of Jersey City and United States Trust Company of Newark, New Jersey.

"The exception contained in paragraph (5) of section 8 which exempts certain relationships from the prohibition of the Act is not applicable in the event that the banks involved are located in the same city, town or village or in cities, towns or villages which are either 'contiguous' or 'adjacent' to each other. Accordingly, the Board is of the opinion that the prohibition of section 8 of the Clayton Act, as amended, is applicable to relationships involving Hudson County National Bank, Jersey City, New Jersey, and United States Trust Company of Newark, Newark, New Jersey, since, irrespective of the question whether the cities of Jersey City and Newark are 'adjacent' within the Board's interpretation of that term as set forth in the revised Regulation L, effective January 4, 1936, they are 'contiguous' within the Board's definition of that term."

Approved unanimously.

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

"Reference is made to the Board's letter of January 11, 1936, and your letter of January 20, 1936, in reply thereto, relative to the Clayton Act permit granted January 15, 1935, to Mr. H. Damerel to serve at the same time as director of The First National Bank of Azusa, Azusa, California, and as director of The First National Bank of San Dimas, San Dimas, California, and to Mr. Damerel's subsequent application for permission to serve as officer also of the San Dimas bank.

"As you indicate in your letter of January 20, 1936, the Board pointed out in its letter of January 11, 1936, that Mr. Damerel may continue to serve as director of these two institutions until February 1, 1939; and that although he may serve as officer of The First National Bank of San Dimas until the annual election of directors of that bank in January of this year, the question whether he may continue thereafter to serve as an officer of this institution appears to depend

1/31/36

-23-

"upon whether Azusa and San Dimas are 'contiguous or adjacent' within the meaning of the statute. It was also indicated that Mr. Damerel may continue to serve as officer and director of San Dimas Savings Bank, San Dimas, California, (all the stock of which is owned by the stockholders of The First National Bank of San Dimas) until February 1, 1939, but that the question whether he may serve this institution and The First National Bank of Azusa after that date appears to depend upon whether these two banks are then engaged in the same 'class or classes of business' or whether San Dimas and Azusa are 'contiguous or adjacent'.

"It is noted from your letter that the towns of Azusa and San Dimas are separate and distinct communities situated about seven miles apart, with the town of Glendora intervening, in view of which it is your opinion, concurred in by counsel for your bank, that these towns are not 'contiguous or adjacent' within the meaning of those terms as set forth in footnote numbered 8 of the Board's revised Regulation L, effective January 4, 1936, but that you desire the opinion of the Board with respect to this matter before advising Mr. Damerel of your conclusions.

"In the circumstances, the Board sees no reason to differ from the conclusions reached by you and your counsel in this matter; accordingly, it appears that the prohibition of Section 8 of the Clayton Act, as amended, is not applicable to Mr. Damerel's services with these institutions."

Approved unanimously.

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

"Reference is made to your letter of January 15, 1936, and prior correspondence, relative to the Clayton Act application of Mr. R. W. Kinney for permission to serve at the same time as director of Crocker First National Bank of San Francisco, San Francisco, California, and as director of Central Bank of Oakland, Oakland, California, particularly with respect to the question whether the cities of San Francisco and Oakland, California, are 'adjacent' within the meaning of section 8 of the Clayton Act, as amended.

"It is noted from your letter that while Oakland and San Francisco are readily accessible to each other, the practical effect of their proximity one to the other is not that of being a 'single city'. It is further noted that 'the Oakland metropolitan area is distinct and separate from

1/31/36

-24-

"San Francisco as a political unit and competition between banks in the two cities is not substantial.' It is understood that the cities are situated on opposite sides of the Bay of San Francisco and are separated by a distance of approximately six miles.

"On the other hand, Oakland with a population of approximately 285,000 is a part of what is known as the East Bay area which has a reported population in excess of 500,000 and compares with a population of approximately 630,000 possessed by the city of San Francisco. Transportation facilities between the two cities at this time consist of ferry services but it is understood that the completion in 1937 of the bridge now under construction will make the two cities even more readily accessible to each other. It is also understood that the East Bay area has attracted many large industries, the scope of the activities of some of which is national and international in character; that it is a more or less common practice for numerous individuals to reside in Oakland and other sections of the East Bay area while engaged in business activities in San Francisco; that, while Central Bank of Oakland operates no branches in San Francisco, it maintains two branches in widely separated business districts in Oakland and certain San Francisco banks operate numerous branches in Oakland. It thus appears that the cities are readily accessible to each other and that in many respects they bear the same relation to each other as a large city and one of its suburbs.

"Since the underlying purpose of the Clayton Act is to prevent monopolies and substantial lessening of competition, and since, in using the phrase 'contiguous or adjacent', it seems probable that Congress was describing cities, towns, and villages in which it felt that a conflict of competitive interest would exist as between banking institutions located therein, the Board believes that the cities of San Francisco and Oakland, California, are 'adjacent' within the meaning of section 8 of the Clayton Act, as amended. Therefore, since Mr. Kinney was not lawfully serving Crocker First National Bank of San Francisco, San Francisco, California, and Central Bank of Oakland, Oakland, California, on August 23, 1935, the effective date of the Banking Act of 1935, he may not continue to serve at the same time as a director, officer or employee of both institutions.

"Please advise Mr. Kinney and the banks involved accordingly."

Approved unanimously.



1/31/36

-25-

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on January 30, 1936, and reading as follows:

"Reference is made to your letter of January 16, 1936, in which you recommend that Mr. Norman P. Davis be appointed Special Assistant to the Federal Reserve Agent, and that his salary be increased from \$5,000 to \$6,000 per annum, effective January 1, 1936.

"There is being sent to you today a separate letter with regard to the salaries fixed for officers of your bank for the year 1936, which reads in part as follows:

'This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.'

"In accordance with the position as set forth above, the Board has requested me to advise you that it has referred to the new Board for consideration your recommendations with regard to the salary of Mr. Davis and his designation as Special Assistant to the Federal Reserve Agent."

Approved unanimously.

Letter to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"At the end of 1934 the Board gave careful consideration to the question of the salary policies followed by the Federal Reserve banks with respect to both officers and employees, and on January 5, 1935, wrote to each Federal Reserve bank setting forth in some detail its general attitude toward increases in salaries at that time.

"The Board believes that the principles set forth in that letter should continue to be followed. The Board also feels that before there are any further increases in the salaries of officers of the Federal Reserve banks there should be a thorough

1/31/36

-26-

"and careful analysis of the situation with respect to all Federal Reserve banks. This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.

"Accordingly, the Board approves the salaries fixed for officers of your bank by its Board of Directors, as submitted in your letter of January 10, where such salaries are the same as the salaries the officers were receiving at the end of 1935, and will interpose no objection to the payment of salaries during 1936 to other officers of the bank at the rates previously approved by the Board and in effect at the end of 1935. The above action was taken with the understanding, of course, that the Governor and Deputy Governor have been appointed for the period January 1 to February 29, and that the approval of salaries for these officers is for that period only. The Board also approves an annual retainer fee of \$2,400 for the bank's associate counsel.

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of Boston and as Federal Reserve Agent for the period from January 1 to February 29, 1936, is fixed by the Board at the rate of \$20,000 per annum, and the salaries of Messrs. C. F. Gettemy and W. D. McRae, as Assistant Federal Reserve Agents, are fixed at the rates of \$7,500 and \$7,000 per annum, respectively."

Approved unanimously.

Letter to Mr. Case, Chairman of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"At the end of 1934 the Board gave careful consideration to the question of the salary policies followed by the Federal Reserve banks with respect to both officers and employees, and on January 5, 1935, wrote to each Federal Reserve bank setting forth in some detail its general attitude toward increases in salaries at that time.

"The Board believes that the principles set forth in that letter should continue to be followed. The Board also feels

1/31/36

-27-

"that before there are any further increases in the salaries of officers of the Federal Reserve banks there should be a thorough and careful analysis of the situation with respect to all Federal Reserve banks. This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.

"Accordingly, the Board approves the salaries fixed for officers of your bank by its Board of Directors, as submitted in your letter of January 16, where such salaries are the same as the salaries the officers were receiving at the end of 1935, and will interpose no objection to the payment of salaries during 1936 to other officers of the bank at the rates previously approved by the Board and in effect at the end of 1935. The above action was taken with the understanding, of course, that the Governor, Deputy Governors, and Assistant Deputy Governors have been appointed for the period January 1 to February 29, and that the approval of salaries for these officers is for that period only.

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of New York and as Federal Reserve Agent for the period from January 1 to February 29, 1936, is fixed by the Board at the rate of \$50,000 per annum, and the salaries of Assistant Federal Reserve Agents R. M. Gidney, W. H. Dillistin, H. S. Downs, and H. V. Roelse are fixed at the rates of \$20,000, \$15,000, \$9,000, and \$10,000 per annum, respectively. The Board approves a salary of \$12,000 for Chief Examiner W. F. Sheehan.

"Separate letters are being addressed to you with regard to the salaries of the three employees of your bank to which reference is made in your letter of January 16, 1936."

Approved unanimously.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of Philadelphia and as Federal Reserve Agent for the period January 1 to February 29, 1936, is fixed by the Board of Governors of the Federal Reserve

1/31/36

-28-

"System at the rate of \$20,000 per annum, and the salaries of Messrs. A. E. Post and E. C. Hill as Assistant Federal Reserve Agents are each fixed at the rate of \$8,000 per annum.

"The salaries fixed by the Board of Directors for officers of your bank for the year 1936, submitted in your letter of January 8, which salaries are the same as those received by the officers at the end of 1935, are approved by the Board with the understanding that the appointment of the Governor, Deputy Governors, and Assistant Deputy Governors is for the period January 1 to February 29 and that the approval of salaries for these officers is for that period only. The Board also approves an annual retainer fee of \$2,500 for the bank's counsel."

Approved unanimously.

Letter to Mr. Burke, Acting Chairman of the Federal Reserve Bank of Cleveland, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"At the end of 1934 the Board gave careful consideration to the question of the salary policies followed by the Federal Reserve banks with respect to both officers and employees, and on January 5, 1935, wrote to each Federal Reserve bank setting forth in some detail its general attitude toward increases in salaries at that time.

"The Board believes that the principles set forth in that letter should continue to be followed. The Board also feels that before there are any further increases in the salaries of officers of the Federal Reserve banks there should be a thorough and careful analysis of the situation with respect to all Federal Reserve banks. This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.

"Accordingly, the Board approves the salaries fixed for officers of your bank by its Board of Directors, as submitted in Deputy Governor Strater's letter of January 10, where such salaries are the same as the salaries the officers were receiving at the end of 1935, and will interpose no objection to the payment of salaries during 1936 to other officers of the bank at

1/31/36

-29-

"the rates previously approved by the Board and in effect at the end of 1935. The above action was taken with the understanding, of course, that the Governor, Deputy Governors, and Assistant Deputy Governor have been appointed for the period January 1 to February 29, and that the approval of salaries for these officers is for that period only. The Board also approves an annual retainer fee of \$4,000 for the bank's counsel.

"The salaries of Acting Federal Reserve Agent W. H. Fletcher and of Assistant Federal Reserve Agents Howard Evans and J. B. Anderson are fixed by the Board at the rates of \$14,000, \$7,000 and \$7,000, per annum, respectively."

Approved unanimously.

Letter to Mr. Delano, Deputy Chairman of the Federal Reserve Bank of Richmond, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"The salaries fixed by the Board of Directors for officers of your bank for the year 1936, submitted in Governor Seay's letter of January 11, which salaries are the same as those received by the officers at the end of 1935, are approved by the Board with the understanding that the appointment of the Governor and Deputy Governors is for the period January 1 to February 29 and that the approval of salaries for these officers is for that period only. The salary of J. G. Fry, Assistant Federal Reserve Agent, is fixed by the Board at the rate of \$10,000 per annum."

Approved unanimously.

Letter to Mr. Kettig, Deputy Chairman of the Federal Reserve Bank of Atlanta, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"At the end of 1934 the Board gave careful consideration to the question of the salary policies followed by the Federal Reserve banks with respect to both officers and employees, and on January 5, 1935, wrote to each Federal Reserve bank setting forth in some detail its general attitude toward increases in salaries at that time.

1/31/36

-30-

"The Board believes that the principles set forth in that letter should continue to be followed. The Board also feels that before there are any further increases in the salaries of officers of the Federal Reserve banks there should be a thorough and careful analysis of the situation with respect to all Federal Reserve banks. This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.

"Accordingly, the Board approves the salaries fixed for officers of your bank by its board of directors, as submitted in your letters of January 10, where such salaries are the same as the salaries the officers were receiving at the end of 1935, and also approves for the period January 1 to February 29 a general retainer at the rate of \$9,500 per annum, together with an allowance at the rate of \$1,500 for stenographic services, for the bank's counsel and approves the reduced salaries fixed by your board of directors for the following officers:

<u>Name</u>	<u>Title</u>	<u>Salary</u>
H. W. Martin	Deputy Governor	\$13,500
H. F. Conniff	Deputy Governor	10,500
M. W. Bell	Cashier	7,500
H. C. Frazer	Manager, Havana Agency	7,500
A. H. Alston	Asst. Mgr., Havana Agency	5,500

"The Board will interpose no objection to the payment of salaries during 1936 to other officers of the bank at the rates previously approved by the Board and in effect at the end of 1935.

"The above action was taken with the understanding, of course, that the Governor, Deputy Governors, and Assistant Deputy Governor, have been appointed for the period January 1 to February 29, and that the approval of salaries for these officers is for that period only. The salary of Mr. L. M. Clark, Assistant Federal Reserve Agent, is fixed by the Board at the rate of \$7,500 per annum."

Approved unanimously.

Letter to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, prepared in accordance with the action taken at the meeting of

1/31/36

-31-

the Board on January 24, 1936, and reading as follows:

"At the end of 1934 the Board gave careful consideration to the question of the salary policies followed by the Federal Reserve banks with respect to both officers and employees, and on January 5, 1935, wrote to each Federal Reserve bank setting forth in some detail its general attitude toward increases in salaries at that time.

"The Board believes that the principles set forth in that letter should continue to be followed. The Board also feels that before there are any further increases in the salaries of officers of the Federal Reserve banks there should be a thorough and careful analysis of the situation with respect to all Federal reserve banks. This Board assumes that the Board of Governors as constituted after February 1, 1936, will wish to acquaint itself fully with the organization and personnel of the Federal Reserve banks as promptly as practicable, and for this reason the Board feels that no further increases in officers' salaries should be approved until the new Board has had an opportunity to review the situation and to formulate a policy with respect thereto.

"Accordingly, the Board approves the salaries fixed for officers of your bank by its Board of Directors, as submitted in your letter of January 10, where such salaries are the same as the salaries the officers were receiving at the end of 1935, and will interpose no objection to the payment of salaries during 1936 to other officers of the bank at the rates previously approved by the Board and in effect at the end of 1935. The above action was taken with the understanding, of course, that the Governor, Deputy Governors, and Assistant Deputy Governors have been appointed for the period January 1 to February 29, and that the approval of salaries for these officers is for that period only.

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of Chicago and as Federal Reserve Agent for the period from January 1 to February 29, 1936, is fixed by the Board at the rate of \$35,000 per annum, and the salaries of Messrs. C. S. Young, G. A. Prugh, and J. H. Martin, as Assistant Federal Reserve Agents, and of Mr. H. G. Pett, Manager, Division of Research and Statistics, are fixed at the rates of \$13,500, \$7,000, \$6,000, and \$7,000 per annum, respectively."

Approved unanimously.

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, prepared in accordance with the action taken at the meeting of the

1/31/36

-32-

Board on January 24, 1936, and reading as follows:

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of St. Louis and as Federal Reserve Agent for the period January 1 to February 29, 1936, is fixed by the Board of Governors of the Federal Reserve System at the rate of \$20,000 per annum, and the salary of Mr. C. M. Stewart as Assistant Federal Reserve Agent is fixed at the rate of \$10,000 per annum.

"The salaries fixed by the Board of Directors for officers of your bank for the year 1936, submitted in your letter of January 3, which salaries are the same as those received by the officers at the end of 1935, are approved by the Board with the understanding that the appointment of the Governor and Deputy Governors is for the period January 1 to February 29 and that the approval of salaries for these officers is for that period only."

Approved unanimously.

Letter to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, prepared in accordance with the action taken at the meeting of the Board on January 24, 1936, and reading as follows:

"Your salary as Chairman of the Board of Directors of the Federal Reserve Bank of Dallas and as Federal Reserve Agent for the period January 1, to February 29, 1936, is fixed by the Board of Governors of the Federal Reserve System at the rate of \$20,000 per annum, and the salaries of Messrs. C. C. Hall and W. J. Evans, as Assistant Federal Reserve Agents, are fixed at the rates of \$9,000 and \$8,500 per annum, respectively.

"The salaries fixed by the Board of Directors for officers of your bank for the year 1936, submitted in your letter of January 22, which salaries are the same as those received by the officers at the end of 1935, are approved by the Board with the understanding that the appointment of the Governor, Deputy Governors, and the Assistant Deputy Governor is for the period January 1 to February 29 and that the approval of salaries for these officers is for that period only. The Board also approves an annual retainer fee of \$9,000 for the bank's counsel."

Approved unanimously.



1/31/36

-33-

Memorandum dated January 31, 1936, from Mr. James containing a summary of the information submitted in statements, received from the Federal reserve banks in compliance with the Board's request of November 22, 1935, giving the name and annual salary of each employee as of January 1, 1936, together with the salary of each employee on January 31, 1935, or the initial salary if hired during 1935. The memorandum stated that the salary list submitted by each Federal reserve bank had been examined and such differences as had been found between the lists and the personnel classification plans on file with the Board were being brought to the attention of the Federal reserve banks in proposed letters submitted with the memorandum. The memorandum recommended that the letters attached to the memorandum, which advised also that the salaries of employees as shown on the lists submitted by the Federal reserve banks had been noted with approval with certain exceptions set forth below, be approved:

The letter to the Chairman at New York advised that, for the reasons set forth in the Board's letter of this date with regard to salaries of officers of the bank, the increases recommended for John H. Hartley and Gustav Osterhus, who occupy appraised positions, had not been approved.

The letter to the Acting Chairman at Cleveland noted that changes had not been made in the personnel classification plan to cover employees in the Work Relief Checks and Works Progress Administration Units although employees were shown in such units on January 1, 1936, and that it was assumed that the necessary changes in the personnel classification plan to provide for employees in these units would be submitted to the Board at an early date.

The letter to the Deputy Chairman at Richmond noted that the salary of George E. Davison, mechanic, was shown at \$1,500, or \$120 in excess of the maximum provided in the personnel classification plan, and requested information

1/31/36

-34-

with regard thereto. The letter also noted that W. N. Woodward and G. L. Guthrie were both shown as "Manager" of the Accounting and Planning Department and stated that it was assumed that the bank did not contemplate retaining two managers in the department for a further extended period and that advice would be appreciated as to when the bank proposed to correct the situation.

The letter to the Chairman at Chicago advised that for the reasons set forth in the Board's letter of this date with regard to salaries of officers of the bank, the increases recommended for Paul C. Hodge and Earle W. English, who occupy appraised positions had not been approved.

The letter to the Deputy Chairman at Kansas City noted with approval a salary of \$3,096 for John P. Markey, who occupied the appraised position of "credit investigator" and whose salary in this capacity had not previously been approved by the Board.

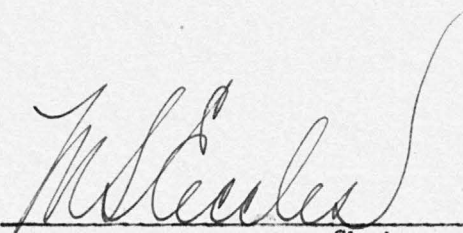
The letter to the Chairman at Dallas noted that the salaries of H. M. Morton, Chief Teletype Operator, and L. R. Wilson and Maudie Walling, Teletype Operators, on January 1, 1936, were in excess of the maximum salary provided in the bank's personnel classification plan for the positions occupied and stated that it was assumed that consideration was being given to the recommendation of the leased wire committee with regard to the personnel problem connected with the installation of teletype equipment.

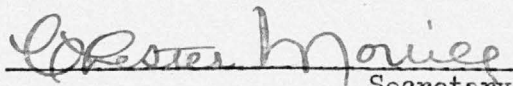
Approved unanimously.

The minutes of the meeting of the Board held on January 30, 1936, were approved and the foregoing minutes of this meeting were also approved.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.