

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 18, 1936, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. Szymczak
Mr. McKee
Mr. Ransom

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank
Operations

Chairman Eccles stated that at a meeting of the personnel committee (Messrs. Eccles, Broderick and Szymczak) yesterday, recommendations were formulated for submission to the Board with regard to approval of appointments of presidents and vice presidents at the Federal reserve banks for terms commencing March 1, 1936, designations of chairmen and Federal reserve agents and appointments of deputy chairmen to serve after February 29, 1936, and certain other related matters. He said that in submitting the recommendations, which had been agreed upon unanimously, the committee had in view a plan for possible reorganizations at the respective Federal reserve banks under which the functions now performed in the Federal reserve agent's department, except those which are specifically required by law to be performed by the chairman and Federal reserve agent, would be transferred to the operating side of the bank; the position of chairman and Federal reserve agent would be filled by outstanding men who would be willing to accept salaries fixed on an honorarium basis; and at the next session of Congress legislation would

2/18/36

-2-

be requested which would permit the Board to effect a separation of the office of chairman from the position of Federal reserve agent so as to permit of the selection of a person to serve only as Class "C" director and chairman of the board of directors and the appointment of a separate Federal reserve agent whose principal duty would be the custody of Federal reserve notes and collateral therefor. It was pointed out, however, that such a change could not be effected at all the banks immediately and that it would be necessary to proceed according to the circumstances at each bank with the general objective in view.

There ensued a general discussion of the basis for the committee's recommendations, at the conclusion of which the recommendations were considered and action was taken in accordance therewith as follows; the actions with regard to appointments of presidents and first vice presidents and approval of salaries being based on the actions of the boards of directors of the respective Federal reserve banks. The recommendations that the designations of the present chairmen and Federal reserve agents be continued until April 30, 1936, were for the purpose of enabling the chairmen to exercise without impairment any rights that they might have under the retirement system, as well as to allow a reasonable period to elapse before the termination of the designation in each case:

The appointment of Mr. Roy A. Young as President of the Federal Reserve Bank of Boston for a term of five years beginning March 1, 1936, was approved.

The appointment of Mr. William W. Paddock as First Vice President of the Federal Reserve Bank of Boston for a term of five years beginning March 1, 1936, was approved.

2/18/36

-3-

The salary fixed by the board of directors for Mr. Roy A. Young as President of the Federal Reserve Bank of Boston, at the rate of \$30,000 per annum, was approved for the period from March 1 to December 31, 1936, inclusive.

Mr. Eccles was authorized to advise the Chairman of the Boston bank that, for the reasons set forth in the Board's letter of January 31, 1936, with respect to salaries of officers for the year 1936, the Board was not willing at this time to approve a salary for Mr. Paddock at the rate fixed by the directors, but had approved for him a salary at his present salary rate of \$20,000 per annum for the period from March 1 to December 31, 1936, inclusive, if fixed by the board of directors of the bank at that rate.

Mr. F. H. Curtiss was redesignated as Chairman of the board of directors and as Federal Reserve Agent at the Federal Reserve Bank of Boston for the period from March 1 to April 30, 1936, inclusive, and his salary was fixed at the rate of \$20,000 per annum for the period.

Mr. Allen Hollis was reappointed Deputy Chairman of the Federal Reserve Bank of Boston for the period from March 1 to December 31, 1936, inclusive.

The appointment of Mr. George L. Harrison as President of the Federal Reserve Bank of New York for a term of five years beginning March 1, 1936, was approved.

The salary fixed by the board of directors of the New York bank for Mr. Harrison, at the rate of \$50,000 per annum, was approved for the period from March 1 to December 31, 1936, inclusive.

Mr. J. H. Case was redesignated as Chairman of the board of directors and Federal Reserve Agent at the Federal Reserve Bank of New York for the period from March 1 to April 30, 1936, inclusive, and his salary was fixed at the rate of \$50,000 per annum for the period.

Chairman Eccles was authorized to carry on such discussions with the directors of the Federal Reserve Bank of Philadelphia as he may find advisable with regard to the appointment of a President and a First Vice President for that bank for terms beginning March 1, 1936.

Mr. R. L. Austin was redesignated as Chairman of the board of directors and Federal Reserve Agent at the Federal Reserve Bank of Philadelphia for the period from March 1 to April 30, 1936, inclusive, and his salary was fixed at the rate of \$20,000 per annum for the period.

2/18/36

-4-

The appointment of Mr. M. J. Fleming as President of the Federal Reserve Bank of Cleveland for a term of five years beginning March 1, 1936, was approved.

The appointment of Mr. F. J. Zurlinden as First Vice President of the Federal Reserve Bank of Cleveland for a term of five years beginning March 1, 1936, was approved.

The salaries fixed by the board of directors of the Cleveland bank, at the rate of \$25,000 per annum for Mr. Fleming as President, at the rate of \$18,000 per annum for Mr. Zurlinden as First Vice President, at the rate of \$15,000 per annum for Mr. H. F. Strater as Vice President and Secretary, and at the rate of \$8,000 per annum for Mr. C. W. Arnold as Assistant Vice President, were approved for the period from March 1 to December 31, 1936, inclusive.

Chairman Eccles was authorized to advise the Cleveland bank that, for the reasons stated in the Board's letter of January 31, 1936, with respect to salaries of officers for the year 1936, the Board was not willing at this time to approve a salary at the rate of \$7,500 per annum for Mr. R. B. Hays, Assistant Cashier of the bank, but would interpose no objection to the payment of salary to him for the remainder of the current year at the rate of his present salary of \$6,500 per annum.

Chairman Eccles was authorized to tender to Mr. E. S. Burke, Jr., Acting Chairman of the Cleveland bank, the designation of Chairman and Federal Reserve Agent for the remainder of the current year, with salary to be fixed by the Board on an honorarium basis after discussion by Mr. Eccles with Mr. Burke.

It having been indicated in informal conversations between Chairman Eccles and Mr. Delano, Deputy Chairman of the Federal Reserve Bank of Richmond, that the board of directors of the bank were considering the appointment of Mr. Hugh Leach, who is now serving as Managing Director of the Baltimore branch, as President of the bank, approval was given to the recommendation of the Personnel Committee that, if Mr. Leach be so appointed, such appointment be approved by the Board, with salary at a rate to be recommended by Mr. Delano, Deputy Chairman of the bank, it being understood that Mr. Delano has in mind a salary at the rate of \$18,000 per annum, but which might be as much as \$20,000 per annum.

Approval was given to the recommendation of the Personnel Committee that the Board be guided by Mr. Delano's recommendation with respect to approval of the appointment of the First Vice President of the Federal Reserve Bank of Richmond.

Chairman Eccles was authorized to tender to Mr. Delano the designation of Chairman and Federal Reserve Agent at the Federal Reserve Bank of

2/18/36

-5-

Richmond for the remainder of the current year, at a salary to be fixed by the Board on an honorarium basis after discussion by Mr. Eccles with Mr. Delano.

The appointment of Mr. Oscar Newton as President of the Federal Reserve Bank of Atlanta for a term of five years beginning March 1, 1936, was approved.

The salary fixed by the board of directors of the Atlanta bank for Mr. Newton, at the rate of \$25,000 per annum, was approved for the period from March 1 to December 31, 1936, inclusive.

It having been indicated during informal conversations between Chairman Eccles and certain directors of the Federal Reserve Bank of Atlanta, that the directors were considering the appointment of Mr. R. S. Parker as First Vice President of the bank, Chairman Eccles was authorized to discuss the matter further with Mr. R. G. Clay, Class "A" director, with the thought in mind that if the directors should appoint Mr. Parker, the Board would approve such appointment at a salary rate to be fixed by the board of directors of the bank, but, in any event, not more than \$13,500 per annum.

Mr. H. W. Martin, now serving as Deputy Governor of the Federal Reserve Bank of Atlanta, was appointed a Class "C" director of the bank for the unexpired portion of the term ending December 31, 1933, was designated as Chairman of the board of directors and Federal Reserve Agent for the remainder of the current year, and his salary as Chairman and Federal Reserve Agent was fixed on an honorarium basis at the rate of \$3,000 per annum, all effective when he has executed the usual oaths of office and a corporate surety bond in the amount of \$100,000.

Mr. W. H. Kettig was reappointed as Deputy Chairman of the Atlanta bank for the period from March 1 to December 31, 1936, inclusive.

Chairman Eccles was authorized to invite Mr. James R. Leavell, a Class "A" director of the Federal Reserve Bank of Chicago, to come to Washington for the purpose of an informal discussion of the situation with respect to the appointment of a President and First Vice President at the Federal Reserve Bank of Chicago, and to advise Mr. Leavell that the Board is not favorable to the appointment of anyone as President or First Vice President for the period until December 31, 1936 only, in view of the fact that the law provides for appointments for terms of five years; that the Board would be willing to appoint Mr. George J. Schaller, now Governor of the bank, as a Class "C" director for the unexpired portion of the term ending December 31, 1937, and designate him as Chairman and Federal Reserve Agent for the period from March 1 to December 31, 1936, inclusive,

2/18/36

-6-

with salary to be fixed by the Board on an honorarium basis, and to retain Mr. Eugene M. Stevens in an advisory capacity, such as Special Assistant to the Chairman, from March 1 to April 30, 1936, inclusive, with salary at the rate of \$12,000 per annum; and that the Board would be willing to approve the appointment of Mr. H. P. Preston, now Deputy Governor of the bank, as President, the question of salary to be paid to Mr. Preston to be discussed by Chairman Eccles with Mr. Leavell with the understanding that the rate must be substantially less than that now paid the Governor of the bank.

The appointment of Mr. W. McC. Martin as President of the Federal Reserve Bank of St. Louis for a term of five years beginning March 1, 1936, was approved.

The appointment of Mr. Olin M. Attebery as First Vice President of the Federal Reserve Bank of St. Louis for a term of five years beginning March 1, 1936, was approved.

The salaries fixed by the board of directors of the St. Louis bank, at the rate of \$25,000 per annum for Mr. Martin, at the rate of \$17,000 per annum for Mr. Attebery, and at the rate of \$12,000 per annum for Mr. J. G. McConkey, Vice President and General Counsel, were approved for the period from March 1 to December 31, 1936, inclusive.

Mr. John S. Wood was redesignated as Chairman of the board of directors of the St. Louis bank and Federal Reserve Agent for the period from March 1 to April 30, 1936, inclusive, and his salary was fixed at the rate of \$20,000 per annum for the period.

Mr. Paul Dillard was reappointed as Deputy Chairman of the Federal Reserve Bank of St. Louis for the period from March 1 to December 31, 1936, inclusive.

Advice having been received informally by Chairman Eccles from a committee of directors of the Federal Reserve Bank of Minneapolis that the directors were considering the appointment of Mr. John N. Peyton, now serving as Federal Reserve Agent, as President of the bank, approval was given to the recommendation of the Personnel Committee that if, Mr. Peyton be so appointed, the Board approve such appointment, with salary at a rate not in excess of \$25,000 per annum, and the Chairman was authorized, in such event, in his discretion, to tender to Mr. W. B. Geery, now serving as Governor of the Federal Reserve Bank of Minneapolis, appointment as Class "C" director of the bank for the unexpired portion of the term ending December 31, 1938, and designation as Chairman of the board of directors and Federal Reserve Agent for the remainder of the current year, with salary at the rate of \$20,000 per annum.

Mr. Homer P. Clark was reappointed as Deputy Chairman of the Federal Reserve Bank of Minneapolis for the period from March 1 to December 31,

2/18/36

-7-

1936, inclusive.

Action was deferred on the recommendation of the Personnel Committee that the Board approve the appointment of Mr. George H. Hamilton as President of the Federal Reserve Bank of Kansas City and of Mr. C. A. Worthington as First Vice President of the bank, and the salaries fixed by the board of directors of the bank at the rate of \$25,000 per annum for Mr. Hamilton, at the rate of \$16,000 per annum for Mr. Worthington, and at the rate of \$12,000 per annum for Mr. J. W. Helm as Vice President and Cashier.

The salary at the rate of \$3,900 per annum fixed by the board of directors of the Federal Reserve Bank of Kansas City for Mr. J. W. Jones as Assistant Cashier at the Denver Branch for the year 1936, which was the only change made by the directors in salaries of officers of the bank for the year, was approved, and Chairman Eccles was authorized to advise the Chairman at Kansas City that the other salaries fixed by the directors for officers of the bank for the year 1936 were approved by the Board with the understanding that the appointments of Governor and Deputy Governors were for the period January 1 to February 29, inclusive; that the approval of salaries for these officers was for that period only; that the annual retainer fee of \$9,600 for Mr. H. G. Leedy, Counsel, was approved by the Board with the understanding that he will continue to maintain his office in the bank building and pay the regular rental rates for the space occupied; and that Mr. A. M. McAdams' salary for the year 1936 as Assistant Federal Reserve Agent was fixed by the Board at \$12,500.

Pending the return of Mr. Morrison to Washington, action was deferred on the recommendation of the Personnel Committee that the Board approve the appointment of Mr. B. A. McKinney as President of the Federal Reserve Bank of Dallas, and of Mr. R. R. Gilbert as First Vice President of the bank, and the salaries fixed by the board of directors of the bank at the rate of \$30,000 per annum for Mr. McKinney, at the rate of \$15,000 per annum for Mr. Gilbert, at the rate of \$10,500 per annum for Mr. R. B. Coleman as Vice President, and at the rate of \$7,000 per annum for Mr. W. O. Ford as Assistant Vice President.

Mr. C. C. Walsh was designated as Chairman of the board of directors and Federal Reserve Agent at the Federal Reserve Bank of Dallas for the period from March 1 to April 30, 1936, and his salary was fixed at the rate of \$20,000 per annum for the period.

Mr. S. B. Perkins was reappointed as Deputy Chairman of the Federal Reserve Bank of Dallas for the period from March 1 to December 31, 1936, inclusive.

The salary at the rate of \$3,900 per annum fixed by the board of directors of the San Francisco bank for Mr. W. M. Scott, Assistant Cashier at the

2/18/36

-8-

Salt Lake City Branch, which was the only change made in the salaries of officers of the bank for the current year, was approved, and Chairman Eccles was authorized to advise the Deputy Chairman at San Francisco that the other salaries fixed by the directors for officers of the bank for the year 1936, were approved by the Board with the understanding that the appointments of the Governor and Deputy Governors were for the period January 1 to February 29, inclusive; that the approval of salaries for these officers was for that period only; that the Board also approved an annual retainer fee of \$10,000 for A. C. Agnew, Counsel for the bank; and that the salaries of Assistant Federal Reserve Agents S. G. Sargent and O. P. Wheeler were fixed by the Board for the year 1936 at the rates of \$15,000 and \$6,600, respectively.

Mr. Walton N. Moore was reappointed as Deputy Chairman of the Federal Reserve Bank of San Francisco for the period from March 1 to December 31, 1936, inclusive.

Chairman Eccles was authorized to discuss with Governor Harrison of the Federal Reserve Bank of New York informally the question of the necessity of continuing Mr. S. O. Martin on the payroll of the bank with salary at the rate of \$2,000 per month in connection with the industrial loan activities of that bank.

Chairman Eccles was authorized to arrange for a meeting, or meetings, with the Presidents of the Federal reserve banks after approval of their appointments, for the purpose of discussing with them a plan for the transfer to the banks of such functions now performed in the Federal reserve agents' department as are not required by law to be performed by the chairmen and Federal reserve agents, with a view to a substantial reduction in expenses and increase in efficiency of the operations at the banks.

Chairman Eccles referred to the two resolutions submitted by the Federal Advisory Council at the meeting with the Board on February 12, 1936, with the understanding that the recommendations would not be published for at least one week from that date in order that the Board might have an opportunity to consider them, and stated that Messrs. Goldenweiser and Thurston had prepared a draft of letter to the Secretary of the Federal Advisory Council with regard to the resolutions, but that it was felt that the Board should be allowed additional time for their considera-

2/18/36

-9-

tion. He then inquired whether there would be any objection on the part of the members of the Board to requesting that the publication of the recommendations be deferred for a further period.

By unanimous vote, the Secretary was requested to communicate with Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, and advise him that, in the absence of objection on the part of the Council, the Board would defer publication of the recommendations for an additional period of ten days in order to afford the new members of the Board a further opportunity to study the various questions and problems involved.

It was then stated that in accordance with the action taken at the meeting of the Board on February 14, 1936, Mr. McKee had conferred with Mr. Smead, Chief of the Division of Bank Operations, with regard to the latter's recommendation that Mr. W. B. Dorsey, a clerk in the Division, be retired as of April 1, 1936, and that it had been agreed that Mr. Smead's recommendation should be resubmitted to the Board with an amendment that Mr. Dorsey be granted a leave of absence with pay until April 1, 1936, instead of until February 15, 1936.

In accordance with Mr. Smead's recommendation, it was decided, by unanimous vote, to terminate the employment of Mr. Dorsey effective as of the close of business on March 31, 1936, to approve his retirement as of April 1, 1936, to grant him leave of absence with pay from February 5 to March 31, 1936, inclusive, and to pay to the Retirement System an amount equal to six months salary (\$1,050) for the purpose of supplementing the retirement allowance to which he will be entitled, commencing on April 1, 1936, under the rules and regulations of the Retirement System.

Reference was then made to a draft of a letter, prepared in Counsel's office, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, replying to his letter of October 26, 1935, re-

2/18/36

-10-

garding the interpretation of the Board's letter of September 11, 1935 (X-9322), in which the Board stated that, since the date of the enactment of the Banking Act of 1935, State member banks are not permitted to purchase "securities" which do not constitute "investment securities" within the meaning of paragraph Seventh of Section 5136 of the Revised Statutes and the regulations of the Comptroller of the Currency issued thereunder. The draft of letter had been circulated among the members of the Board and Mr. McKee had requested that the matter be brought up for discussion at the next meeting.

Mr. Wyatt stated that he had reviewed the draft of letter recently and had discussed it with some of the members of the Board, that he now felt that the letter should be revised, and that he would suggest that it be referred back to his office for that purpose.

It was agreed that the letter should be returned to the legal division in accordance with Mr. Wyatt's suggestion.

At this point Messrs. Thurston, Wyatt and Smead left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

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

"In accordance with your recommendation, the Board approves the establishment and operation by the 'Monterey County Trust & Savings Bank', Salinas, California, of a branch at Greenfield, California, on condition that the establishment and operation of such branch shall be approved by the appropriate State authorities. Please advise the trust company accordingly."

Approved unanimously.

2/18/36

-11-

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

"This refers to your letter of January 9, 1936, advising the Board concerning the issuance of a general voting permit to Rawlins Securities Company, Salt Lake City, Utah, entitling that company to vote the stock which it owns or controls of The First National Bank of Caldwell, Caldwell, Idaho, The Hailey National Bank, Hailey, Idaho, and The Commercial National Bank of Saint Anthony, St. Anthony, Idaho.

"By the definition of the code word 'ANCILDALE' contained in the Board's letter of December 3, 1935 (X-9385), the period within which the permit might be issued to Rawlins Securities Company, pursuant to the authorization contained in the Board's telegram of December 9, 1935, to you, was limited to 30 days from the date of the telegram, unless the Board granted an extension of time. It is noted that the voting permit was issued under date of January 9, 1936, without an extension of time having been granted. Since, in the circumstances, a question might possibly be raised concerning its validity, the Board hereby ratifies and confirms the issuance of the permit. Apparently it is not necessary to communicate with Rawlins Securities Company in this connection."

Approved unanimously.

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

"This refers to your letter of January 10, 1936, replying to the Board's inquiry of January 6, 1936, concerning affiliate reports on Forms 220 and 220-a for three organizations listed by The Toledo Trust Company, Toledo, Ohio, on Schedule O of its report filed in response to the Board's call of November 1, 1935.

"It is noted that action has been taken in accordance with the plan for terminating certain affiliate relationships which was discussed in the Board's letter of June 6, 1934, to Mr. L. B. Williams in connection with The Toledo Trust Company. While the consummation of such plan terminated the affiliation between the above-mentioned organizations and The Toledo Trust Company which had existed by reason of the fact that Toledo Corporation held stock of such organizations, it did not prevent such organizations from being or becoming affiliated with The Toledo Trust Company in some other manner and the listing of them on Schedule O indicated that The Toledo Trust Company considered them to be

2/18/36

-12-

"affiliates. However, in the absence of other facts indicating that they are affiliates and as it appears that you are satisfied that they are not, no further question will be raised concerning the above-mentioned reports."

Approved unanimously.

Memorandum dated February 14, 1936, from Mr. Morrill to which were attached the files relating to a recommendation of the former System Committee on Bank Reserves that, for banks in States where State laws require assets in savings departments to be segregated from assets in other departments, the Federal reserve banks carry separate reserve accounts for each department and treat such accounts in all respects as if they were accounts in separate banks. The memorandum stated that the matter arose just prior to the bank holiday in March 1933; that the question had been held in abeyance since that time; and that it had been recently submitted to Mr. McKee for consideration and, having reviewed the files, he recommended that the whole matter be tabled.

The recommendation was approved unanimously.

Memorandum dated February 15, 1936, from Mr. Morrill submitting drafts of letters to Messrs. W. G. Distler and E. V. Pugh, Vice President and Manager, respectively, of the George A. Fuller Company, in response to letters received from them submitting the names of sub-contractors in accordance with the terms of Article 31 of the construction contract for the Board's new building under the provisions of which no sub-contractor can be employed who is objectionable to the Board. The memorandum stated that the names of the proposed sub-contractors had been submitted to the Board's architect, the Board's superintendent of construction, and to Mr.

2/18/36

-13-

Miller, and that all three recommended that the George A. Fuller Company be advised that the proposed sub-contractors listed in the letters were not objectionable to the Board. The draft of letters advised, in accordance with Article 31 of the construction contract, that, for the purposes stated, the proposed sub-contractors were not objectionable to the Board.

The sub-contractors submitted were as follows:

Excavation - Potts & Callahan, Baltimore, Maryland.
 Concrete Piles - Raymond Concrete Pile Co., New York, N.Y.
 Structural Steel - Bethlehem Steel Corporation
 (McClintic - Marshall Corp.)
 Interior Marble and Stone - Hilgartner Marble Company,
 Baltimore, Md.
 Exterior Marble - Georgia Marble Company, Nelson, Georgia.

Approved unanimously.

Thereupon the meeting adjourned.

Robert M. Moore
 Secretary.

Approved:

W. S. ...
 Chairman.