

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 25, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
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

Chairman Eccles stated that following a telephone conversation with Governor Harrison of the Federal Reserve Bank of New York he had requested the Board's counsel to prepare an opinion on the question whether representatives of the Federal reserve banks on the Federal Open Market Committee may be elected with limited authority and subject to the condition that they will, as members of the Committee, act in accordance with the instructions of the boards of directors which elected them, and that an opinion on the subject had been prepared by Mr. Dreibelbis, Assistant General Counsel, under date of February 24, 1936, which was concurred in by Mr. Wyatt and which reached the conclusion that representatives of the Federal reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act only in accordance with instructions of the boards of directors electing such members. Mr. Eccles said that, if agreeable to the other members of the Board, he would like to send a copy of the opinion

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to Governor Harrison as well as to the chairmen of the boards of directors of the other Federal reserve banks for their information. At the request of the Chairman Mr. Wyatt read the opinion prepared by Mr. Dreibelbis.

Mr. McKee moved that Chairman Eccles be authorized to send a copy of the opinion to Governor Harrison, and that copies of the letter of transmittal to Governor Harrison and the opinion be sent to the chairmen of the other Federal reserve banks.

Carried unanimously.

Reference was then made to a memorandum dated February 12, 1936, from Mr. Morrill, copies of which had been furnished to the members of the Board on February 13, recommending, at the request of the Chairman, that Article IX of the by-laws of the Board be amended to read as follows:

"Article IX

"Inter-District Settlement Fund
Federal Reserve Agents' Fund

"All funds deposited by or for account of the respective Federal reserve agents in the Federal Reserve Agents' Fund of the Board of Governors of the Federal Reserve System and all funds deposited by or for account of the respective Federal reserve banks in the Inter-district Settlement Fund of the Board of Governors of the Federal Reserve System shall be held on deposit with the Treasurer of the United States and shall be subject to withdrawal only by orders or checks signed on behalf of the Board of Governors of the Federal Reserve System by the Chief or an Assistant Chief of the Division of Bank Operations."

and that Article X of the by-laws be amended to read as follows:

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"Article X"Requisitions for Delivery
of
Federal Reserve Notes."

"Requisitions upon the Comptroller of the Currency for the delivery of Federal reserve notes to the respective Federal reserve agents shall be made by the Chief or an Assistant Chief of the Division of Bank Operations in response only to requests for such notes made to the Board by the Federal reserve agents and assistant Federal reserve agents."

The memorandum also stated that the present by-laws were obsolete, that at the suggestion of the Chairman a revision thereof was being prepared for submission to the Board, but that it was desirable to make the amendments recommended without waiting until the by-laws as a whole were revised.

The matter was discussed briefly and, upon motion by Mr. McKee, the proposed amendments were approved subject to the approval of the Board's General Counsel.

At this point Messrs. Thurston and Wyatt 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:

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

"Reference is made to Mr. Roelse's letter of February 14 requesting authority to replace with another trained librarian one of the assistant librarians, Mrs. DuVernet, who is resigning at the end of the month.

"In view of the circumstances set forth in Mr. Roelse's letter the Board will interpose no objection to the replacement of Mrs. DuVernet as recommended. We note that you be-

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"lieve it will be possible to get an assistant librarian to take Mrs. DuVernet's place at a salary no higher, and perhaps somewhat below the \$1,860 per annum now paid to Mrs. DuVernet."

Approved unanimously.

Letter to Mr. B. R. Kennedy, Director, Division of the Federal Register, The National Archives, reading as follows:

"This refers to your letter of February 14, 1936, with regard to the authority under which documents are issued by the Board of Governors of the Federal Reserve System. In the Board's letter of January 30, 1936, responding to your letter of December 30, 1935, there were listed provisions of law under which the Board is authorized to prescribe rules or regulations. It is understood, however, that you now desire to have a list of laws which authorize the Board to prescribe rules and regulations of general applicability and legal effect as distinguished from those which do not give such authority.

"In accordance with your request, there are listed below sections of various Acts of Congress that include provisions which confer authority upon the Board of Governors of the Federal Reserve System to issue, prescribe, or promulgate documents which are believed to be of general applicability and legal effect; but it is to be understood that the sections and provisions of law here referred to in some instances include authority both for the issuance of documents of general applicability and legal effect and for the issuance of documents not having such general applicability.

"Sections 2, 4, 5, 6, 9, 10(b), 11, 13, 13a 13b, 14, 16, 19, 22, 25, 25(a) of the Federal Reserve Act, approved December 23, 1913 (38 Stat. 251), as amended.

"Section 8 of the Clayton Antitrust Act, approved October 15, 1914 (38 Stat. 732), as amended by acts approved May 15, 1916 (39 Stat. 121); May 26, 1920 (41 Stat. 626); March 9, 1928 (45 Stat. 253); March 2, 1929 (45 Stat. 1536); June 16, 1933 (48 Stat. 194); and August 23, 1935 (49 Stat. 684).

"Section 32 of the Banking Act of 1933 approved June 16, 1933 (48 Stat. 162), as amended by act approved August 23, 1935 (49 Stat. 684).

"Section 502(b) of the World War Adjusted Compensation Act, approved May 19, 1924 (43 Stat. 126), as amended by act approved July 21, 1932 (47 Stat. 724).

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"Sections 3, 7, 8 and 23 of the Securities Exchange Act of 1934, approved June 6, 1934 (48 Stat. 881).

"Section 5144 of the Revised Statutes, as amended by acts approved June 16, 1933 (48 Stat. 162) and August 23, 1935 (49 Stat. 684).

"As stated in the Board's letter of January 30, 1936, a number of the sections of the original Federal Reserve Act approved December 23, 1913 (38 Stat. 251) have been amended by subsequent Acts of Congress; and the citations to the acts which amended the sections of the Federal Reserve Act above referred to will be found in the editorial annotations to the sections in question in the edition of the Federal Reserve Act which was inclosed with the Board's letter of January 30, 1936."

Approved unanimously.

Letter to Mr. John L. Carey, Secretary, American Institute of Accountants, New York, New York, reading as follows:

"Reference is made to your letters of December 23, 1935, and January 15, 1936, transmitting copies of the bulletin, 'Examination of Financial Statements by Independent Public Accountants', which represents a revision of the bulletin prepared by the American Institute of Accountants in 1929 and published by the Federal Reserve Board under the title of 'Verification of Financial Statements.'

"It is evident that care and thought have been given to the revision of the bulletin prepared by the Institute in 1929 and the Board is pleased to note the continued efforts of the Institute in seeking wide adherence to, and consistency in the application of, sound accounting principles in the preparation of financial statements.

"Accountants employed in the Board's Division of Examinations have studied your bulletin and have in mind some detailed suggestions relating to the various provisions of the bulletin. When you are in Washington, you may wish to call upon Mr. Paulger, the Chief of the Board's Division of Examinations, and discuss with him the suggestions of the accountants in his Division for such value as those suggestions may be to you in connection with any later revision of your bulletin 'Examination of Financial Statements by Independent Public Accountants'."

Approved unanimously.

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Thereupon the meeting adjourned.

Oleson Monie
Secretary.

Approved:

W. S. Charles
Chairman.