

A meeting of the Board of Governors of the Federal Reserve System  
was held in Washington on Wednesday, February 26, 1936, at 3:45 p. 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. Goldenweiser, Director of the Division  
of Research and Statistics  
Mr. Smead, Chief of the Division of Bank  
Operations

It was stated that the Board had before it for action advice of the appointment by the Federal Reserve Bank of New York of a First Vice President, of the appointment by the Federal Reserve Bank of Atlanta of Vice Presidents, and the appointment by the Federal Reserve Banks of Kansas City and Dallas of Presidents and First Vice Presidents.

After a discussion of questions arising in connection with these appointments, Mr. Szymczak moved that, if and when salaries fixed by the boards of directors of the banks for Presidents and Vice Presidents for terms beginning March 1, 1936, are approved by the Board, they be approved for the period from March 1 to December 31, 1936, inclusive, and that a letter be prepared to the boards of directors of the Federal reserve banks stating that the approval of these salaries to the end of the year was with the understanding that the boards of directors of the various Federal reserve banks would be requested to institute promptly a survey

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of the operations and personnel of the banks with a view to making, as soon as possible, such changes therein as are necessary in the interest of economy and efficient operation, and that in this connection the Board contemplates arranging a meeting of the Presidents of the banks in Washington shortly after March 1, 1936, for the purpose of discussing with them the organizations of the banks.

Mr. Szymczak's motion was put by the chair and carried unanimously, with the understanding that the members of the Board also will study the organization of the Federal reserve banks in order that they may be prepared to review promptly the results of the surveys made by the directors of the respective banks.

In accordance with the position as set forth above, actions were taken by the Board as follows:

The appointment of Allan Sproul as First Vice President of the Federal Reserve Bank of New York for a term of five years beginning March 1, 1936, was approved unanimously.

By a unanimous vote, Chairman Eccles was requested to advise Mr. Case, Chairman of the Federal Reserve Bank of New York, that, in view of the recommendation of the directors of the bank, as contained in Mr. Case's letter of January 16, 1936, that the salary of Mr. Sproul as Deputy Governor be increased to the rate of \$25,000 per annum, the Board approves a salary at the rate of \$25,000 per annum for Mr. Sproul as First Vice President for the period from March 1 to December 31, 1936, inclusive, if fixed by the directors at that rate.

The appointment of Robert S. Parker as First Vice President of the Federal Reserve Bank of Atlanta for a term of five years beginning March 1, 1936, was approved unanimously.

The salary fixed by the board of directors of the Atlanta bank for Mr. Parker as First Vice President and General Counsel, at the rate of \$15,000 per annum, was approved for the period from March 1 to December 31, 1936, inclusive.

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The salary fixed by the directors of the Atlanta bank, at the rate of \$10,500 per annum for H. F. Conniff as Vice President was approved unanimously for the period from March 1 to December 31, 1936, inclusive.

By a unanimous vote the Secretary was requested to advise the Secretary of the Federal Reserve Bank of Atlanta 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 W. S. McLarin, Jr. as Assistant Vice President of the Atlanta bank, at the rate of \$8,500 per annum fixed by the directors, but approves for him a salary, for the period from March 1 to December 31, 1936, inclusive, at the rate of \$7,500 per annum, which is the salary he is now receiving as Assistant Deputy Governor, if fixed by the directors at that rate.

The appointment of George H. Hamilton as President of the Federal Reserve Bank of Kansas City for a term of five years beginning March 1, 1936, was approved unanimously.

The appointment of C. A. Worthington as First Vice President of the Federal Reserve Bank of Kansas City for a term of five years beginning March 1, 1936, was approved unanimously.

The salaries fixed by the board of directors of the Kansas City bank, at the rate of \$25,000 per annum for Mr. Hamilton as President, at the rate of \$16,000 per annum for Mr. Worthington as First Vice President, and at the rate of \$12,000 per annum for J. W. Helm as Vice President and Cashier, were approved unanimously for the period from March 1 to December 31, 1936, inclusive.

As Mr. Morrison was not now expected to return to Washington before the end of the week, and as it was felt that action should not be further delayed on the appointment of the President and Vice Presidents at the Dallas bank, the appointment of B. A. McKinney as President of the Federal Reserve Bank of Dallas for a term of five years beginning March 1, 1936, was approved unanimously.

The appointment of R. R. Gilbert as First Vice President of the Federal Reserve Bank of Dallas for a term of five years beginning March 1, 1936, was approved unanimously.

The salaries fixed by the board of directors of the Dallas bank, at the rate of \$30,000 per annum for Mr. McKinney as President, at the rate of \$15,000 per annum for Mr. Gilbert as First Vice President, at the rate of \$10,500 per annum for R. B. Coleman as Vice President and Cashier, and at the rate of \$7,000 per annum for W. O. Ford as Assistant Vice President, were approved unanimously.

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Chairman Eccles referred to the action taken at the meeting of the Board on February 18, 1936, in authorizing him, in the event of the appointment of Mr. Peyton as President of the Federal Reserve Bank of Minneapolis, to tender to Mr. W. B. Geery appointment as Class "C" director 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, and he recommended that the following telegram to Mr. Geery be approved:

"Board has appointed you Class C director of Federal Reserve Bank of Minneapolis for unexpired portion of term ending December 31, 1938, and has designated you as chairman of board of directors of bank and as Federal reserve agent for the remainder of the current year; appointment and designation to become effective March 1, 1936. Before that date you should execute usual oaths of office and corporate surety bond in the amount of \$100,000. Bond should be examined by counsel for your bank to see that it is executed in accordance with rules printed on reverse side of form of bond 181 and forwarded immediately to Board for approval. Your salary as chairman of board of directors and Federal reserve agent fixed by Board at rate of \$20,000. Please forward to Board for its records written confirmation of your acceptance of appointment and designation by Board."

Upon motion by Mr. McKee, the telegram was approved unanimously with the understanding that Chairman Eccles would advise Mr. Geery, through Mr. Homer P. Clark, Deputy Chairman of the Minneapolis bank, that the present salary for the position of Chairman and Federal Reserve Agent at the bank will not be continued beyond December 31, 1936, and that after that date the position will be placed on an honorarium basis.

Chairman Eccles then referred to the action taken at the meeting of the Board on February 18, 1936, in redesignating, for the period from March 1 to April 30, 1936, the Chairmen and Federal Reserve Agents at the

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Federal Reserve Banks of Boston, New York, Philadelphia, St. Louis and Dallas, and, in that connection, presented for the consideration of the Board, a draft of a letter reading as follows to Mr. Case, Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York, with the recommendation that the letter be approved and that similar letters be sent to the other Chairmen and Federal Reserve Agents referred to:

"As you were advised in the Board's letter of December 3, 1935, your current designation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York was for the period from January 1 to February 29, 1936, inclusive.

"Upon the consideration of the matter of the designations of the present Chairmen and Federal Reserve Agents at the Federal reserve banks for a further period, the Board has decided to continue such designations only until the close of April 30, 1936. Accordingly, the Board has redesignated you 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, at which time the designation will terminate. Your salary at its present rate will also be continued until that time.

"This action on the part of the Board will enable you to give the required notice under the rules and regulations of the retirement system of the Federal reserve banks in order that you may obtain, beginning May 1, 1936, a retirement allowance as provided by that system. In connection with the termination of your designation as Chairman and Federal Reserve Agent, the Board authorizes the Federal Reserve Bank of New York to make such contribution to the retirement system as may be necessary to increase your annual retirement allowance to what it would be if you were 65 years of age on April 30, 1936. In addition, and superseding in your case the authority contained in the Board's letter of December 27, 1935, X-9405, the Board authorizes the Federal Reserve Bank of New York to pay to you in cash on May 1, 1936, or, at your election, to the retirement system for the purpose of supplementing the retirement allowance referred to above, an amount equal to six months' salary (\$25,000).

"In taking this action the members of the Board requested me to communicate to you their appreciation of the faithful and valuable service you have rendered in connection with the formulation and execution of the policies under which the Fed-



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"eral Reserve System has operated.

"With my best wishes, I am"

The Chairman's recommendation was discussed and it was the consensus of the members present that it was desirable, particularly in the light of changes made by the Banking Act of 1935, that arrangements be made for a more economical plan of operation and more efficient coordination of the functions at the Federal reserve banks; that an important element of such an arrangement involved the contemplated transfer from the Federal reserve agent's department to the operating side of the bank of functions which are not required by law to be performed by the Chairman and Federal Reserve Agent; that, therefore, the designation of the Chairmen and Federal Reserve Agents referred to above should not be continued beyond April 30, 1936; and that the position of Chairman and Federal Reserve Agent at all of the banks should be placed on an honorarium basis as soon as possible. It was also agreed that, in view of the faithful service of the Chairmen and Federal Reserve Agents above referred to, the authorization of a payment of six months' salary in cash or to the retirement system for the purpose of supplementing their retirement allowances was justified, particularly in view of the fact that a similar practice had been adopted by a number of large corporations.

At the conclusion of the discussion, for the reasons stated above, the letter to Mr. Case was approved unanimously, and the Chairman was authorized to address similar letters to Messrs. Curtiss, Austin and Walsh, who were already 65 years of age, stating that the Board authorizes the Federal reserve bank in each case to pay to the Chairman and Federal Reserve Agent

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in cash on May 1, 1936, or, at his election, to the retirement system for the purpose of supplementing the retirement allowance to which he would be entitled, an amount equal to six months' salary. He was also authorized to address a similar letter to Mr. Wood, who was not yet 65 years of age, stating that the Board authorizes the Federal Reserve Bank of St. Louis to make such contribution to the retirement system as may be necessary, together with Mr. Wood's own contributions, to provide for an annual retirement allowance in an amount equal to the allowance to which he would be entitled if he were 65 years of age on April 30, 1936, and that, in addition, the Board authorizes the Federal Reserve Bank of St. Louis to pay to Mr. Wood in cash on May 1, 1936, or, at his election, to the retirement system for the purpose of supplementing the retirement allowance referred to above an amount equal to six months' salary.

The following letter to Mr. S. B. Perkins, Deputy Chairman of the Federal Reserve Bank of Dallas, which had been prepared pursuant to the action taken at the meeting of the Board on February 18, 1936, but which had been held in contemplation of the return of Mr. Morrison to Washington early in the week, was approved unanimously:

"In its letter of December 3, 1935, the Board advised you of your appointment as Deputy Chairman of the Federal Reserve Bank of Dallas for the period from January 1 to February 29, 1936, inclusive, and your letter of December 5 contained an acceptance of the appointment.

"The Board of Governors of the Federal Reserve System has given consideration to the appointment of deputy chairmen at the Federal reserve banks to serve after February 29, and I have been requested to advise you that your appointment as Deputy Chairman of the Dallas bank has been continued for the remainder of the current year. In taking this action, the members of the Board expressed the hope that they might have the pleasure of your acceptance of the appointment.

"I wish to take this opportunity to express to you the appreciation of the new members of the Board for your willingness to give your time and attention to the Dallas bank and to the advancement of the welfare of the Federal Reserve System."

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Reference was then made to the question whether the Board should release to the press the two resolutions submitted by the Federal Advisory Council at the meeting with the Board on February 12, 1936, and it was agreed unanimously that the Board should not release the recommendations but should interpose no objection to the Council doing so.

Accordingly, Mr. Thurston was requested to prepare a telegram to the Secretary of the Council advising that the Board has no objection to the Council releasing the two resolutions to the press should it desire to do so.

Chairman Eccles submitted for consideration the following extract from the minutes of the meeting of the executive committee of the Federal Open Market Committee held in Washington today:

"The committee were unanimously of the opinion that, if, in connection with March financing, the Treasury offers securities in exchange for Treasury notes maturing April 15, the \$132,386,000 of these notes in system account should be sold in the market and replaced to the extent of about \$50,000,000 with Treasury bonds and the balance with Treasury notes or bills. It was understood, however, that, in view of prospective changes in the organization of the open market committee, this proposal would be submitted to the Board of Governors of the Federal Reserve System and carried through only if they were in agreement."

Mr. Eccles stated that under the authority given to the executive committee by the Federal Open Market Committee, with the approval of the Board, the executive committee has authority to make shifts in maturities of Government securities held in the System account up to \$300,000,000 provided that the amount of maturities 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; that the transaction proposed by the executive committee,



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however, would not be carried into effect until after March 1, 1936, when the new Federal Open Market Committee provided by the Banking Act of 1935 will come into existence; that the new committee will not be organized in time to consider the transaction; and that it was believed that, because of the low earnings of the Federal reserve banks, the transaction was a desirable one for the reason that, while it would make no change in the aggregate amount of securities held in the open market account, it would increase the earnings on the securities in the account.

After a discussion, Mr. McKee moved that the Secretary be requested to prepare a letter to the Chairman of the Federal Open Market Committee stating that the Board approves the proposed sale of notes and their replacement as outlined.

At this point Messrs. Thurston, Wyatt, Goldenweiser 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:

Letter to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

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

"This refers to your letter of February 5 acknowledging receipt of the Board's three letters all dated January 31, 1936 relating to salaries of officers and employees for your

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"bank for the year 1936, or for the period to February 29, 1936 in the case of certain officers.

"In your letter you refer to the recommendation that Mr. Norman P. Davis be appointed as a Special Assistant to the Federal Reserve Agent and state that you would like to suggest the approval of such appointment without waiting for final action on the proposed increase in the salary of Mr. Davis. Your suggestion is receiving the consideration of the Board."

Approved unanimously.

Letter to Mr. James Inglis, care of National Bank of Detroit, Detroit, Michigan, reading as follows:

"Mr. Szymczak has brought to the attention of the members of the Board your letter of February 17 in regard to certain matters at the Detroit Branch of the Federal Reserve Bank of Chicago.

"In view of the fact that you are holding office as a director of the Detroit Branch of the Federal Reserve Bank of Chicago under an appointment by the bank and not by the Board, it seems to the Board that the question whether you should continue to serve until the end of your term is one for you and the bank to decide. With respect to appointments which might be made by the Board of Governors of directors to serve on the branch at Detroit, the Board's rules and regulations governing such matters provide in part as follows:

'The directors appointed by the Federal Reserve Board shall be persons who are actively engaged in agriculture, industry or commerce and who are not primarily engaged in banking (although they may be stockholders or directors of banks).'

"As to Mr. Buss, the managing director of the Detroit Branch, the Board does not have under consideration at this time any question relating to his continuance in that capacity. His selection was made by the Federal Reserve Bank of Chicago and only his salary is subject to the approval of the Board of Governors. However, the Board is glad to have the information which you have submitted regarding Mr. Buss."

Approved unanimously.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

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"Referring to your letter of February 19, the Board approves the reappointment, by the Board of Directors of the Federal Reserve Bank of Philadelphia, of Messrs. J. Ebert Butterworth, John S. Chipman, H. W. Prentis, Jr., B. F. Mechling, and John T. McDade as members of the Industrial Advisory Committee for the year ending February 28, 1937."

Approved unanimously.

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

"Referring your two letters of February 24 and inclosures, Board interposes no objection to action your board of directors in voting, on basis of the additional information made available to it, to confirm its consent to the proposed full payment of the participation of the Bank of Italy in the central bank credits to the National Bank of Hungary on understanding that payment of any balance of the participation of the Bank of Italy which may remain outstanding on October 18, 1936, may be subordinated to the payment of amounts due other participants in the credits or otherwise handled as may be agreed upon by the other participants."

Approved unanimously.

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

"Your letter February 24. Board approves action your board of directors in authorizing officers your bank to arrange for the extension, for a period not to exceed sixty days from February 28, 1936, of the \$100,000 loan made by your bank to National Bank of Nicaragua on November 6, 1935, interest to be charged at discount rate in effect at your bank, on understanding that it is being made clear to National Bank of Nicaragua that your bank would not wish to consider any further extensions of this loan or any extensions of the other loans now outstanding. It is understood that the outstanding loans to National Bank of Nicaragua, including the loan mentioned above, totaling \$350,000 are now secured by gold bars valued at \$638,000 earmarked with Federal Reserve Bank of New York."

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"Participation in extension of loan by other Federal reserve banks is approved and they are being advised by letter accordingly."

Approved unanimously.

Secretary's note: The collateral securing the outstanding loans totaling \$350,000 referred to above is valued at a price of \$35.00 per fine ounce and distributed as follows:

Earmarked gold bars valued at \$499,000 are pledged as security for the first and second advances of \$100,000 each, and additional earmarked gold bars valued at \$139,000, making a total of \$638,000, are pledged against the two subsequent advances of \$75,000 each.

Memorandum dated February 17, 1936, from Mr. Vest, Assistant General Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin statements, in the form attached to the memorandum, with respect to the Board's recent rulings on the following subjects:

Deposits of Receivers and Liquidating Trustees of Business Corporations not Classified as Savings Deposits.

Basis of Provision in Regulation Q that Business Corporations may not Maintain Savings Deposits.

Payment of Interest on Savings Deposit Withdrawn Between Interest Paying Dates.

Certain Drafts Drawn Upon Federal Reserve Banks Included in Gross Demand Deposits in Computing Reserves of Member Banks.

Reports by Executive Officers of Member Banks of their Indebtedness to other Banks.

Provisions of Law Which are Applicable to Loans Heretofore Made to Executive Officers of Member Banks.

Approved unanimously.

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Thereupon the meeting adjourned.

Christen M. M. M. M.  
Secretary.

Approved:

M. C. M. C.  
Chairman.