A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 13, 1936, at 11:00 a. m.

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

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, Division of Research and Statistics

The Chairman presented a letter received by him under date of March 12, 1936, from Mr. Delano, a Class "C" director of the Federal Reserve Bank of Richmond, advising that, subject to the approval of the Board of Governors of the Federal Reserve System, the board of directors of the bank, at its meeting on that date, had appointed Mr. Hugh Leach as President of the bank for the unexpired portion of the five year term ending February 28, 1941. The letter also stated that action on the appointment of a first vice president of the bank had been deferred until the next meeting of the board of directors. It was pointed out that the letter contained no advice as to the salary fixed for Mr. Leach in his new position, and Mr. Morrill was requested to call Mr. Delano on the telephone and ascertain what action had been taken by the directors in that connection. Mr. Morrill later reported that Mr. Delano had advised that the directors had fixed Mr. Leach's salary at

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the rate of $18,000 per annum.

Mr. McKee moved that the Board approve the appointment of Mr. Leach as President of the Richmond bank for the unexpired portion of the term stated, and that his salary as fixed by the directors be approved for the remainder of the current year.

Carried unanimously, and the Chairman was authorized to advise Mr. Delano accordingly.

Chairman Eccles then read a letter, dated March 12, 1936, from Mr. James M. Landis, Chairman of the Securities and Exchange Commission, to which was attached a memorandum containing certain suggestions with regard to a draft of Regulation "U" prepared by the Division of Security Loans under date of March 10, 1936.

It was agreed that the letter should be turned over to Mr. Parry, Director of the Division of Security Loans, for consideration of what action the Board should take in connection with the suggestions contained in the letter and the accompanying memorandum.

At this point Mr. Dreibelbis, Assistant General Counsel, joined the meeting.

There followed an informal discussion of the drafts prepared by Counsel of the tentative regulation and by-laws to be discussed by the Federal Open Market Committee.

The meeting recessed and reconvened at 2:30 p. m., the same members of the Board and its staff being present as were in attendance at the morning session. Mr. Smead, Chief of the Division of Bank Op-

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erations, and Mr. Parry, Chief of the Division of Security Loans, were also present.

Chairman Eccles stated that telephone advice had just been received from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, that the board of directors of the bank, at its meeting today, appointed Mr. John S. Sinclair as President of the bank and Mr. William H. Hutt as First Vice President, each for the unexpired portion of the five year term ending February 28, 1941, and fixed their salaries at the rates of $25,000 and $20,000 per annum, respectively, all subject to approval by the Board of Governors of the Federal Reserve System.

Mr. Broderick moved that the appointment of Mr. Sinclair as President, and of Mr. Hutt as First Vice President, of the Federal Reserve Bank of Philadelphia, each for the unexpired portion of the term stated, be approved.

Carried unanimously, and the Chairman was authorized to advise Mr. Austin accordingly.

There followed a discussion of the salaries fixed by the directors for Messrs. Sinclair and Hutt. At the suggestion of the members of the Board, Chairman Eccles left the room to confer over the telephone with Mr. Joseph Wayne, Jr., a class "A" director of the bank, and upon his return stated that Mr. Wayne had advised that, if the Board were unwilling to approve the salaries fixed by the directors, he felt very strongly that Mr. Sinclair's salary should be approved at a rate of not less than $22,000 per annum in order to establish a proper differential between the salary of the President and the First Vice President

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of the bank.

Mr. Broderick moved that the Chairman be requested to advise the Chairman of the Federal Reserve Bank of Philadelphia that the Board is unwilling to approve salaries at the rates fixed by the board of directors of the bank for Messrs. Sinclair and Hutt, but that it approves for them salaries at the rates of $22,000 and $18,000 per annum, respectively, for the remainder of the current year, if fixed by the directors at those rates.

The motion was put by the chair and carried, Messrs. Morrison and McKee voting "no". Mr. Morrison explained that his vote of "no" applied only to the salary proposed for Mr. Sinclair, for the reason that he did not believe the Board should approve an initial salary in excess of $20,000 per annum for Mr. Sinclair.

There followed a further informal consideration of the drafts of regulation and by-laws to be adopted by the Federal Open Market Committee, following which there was called up for consideration the draft of Regulation "U" which had been prepared by the Division of Security Loans in accordance with the request made at the meeting on March 4, 1936. Copies of the draft had been sent to the members of the Board prior to this meeting. Upon inquiry by Chairman Eccles, Mr. Parry stated that the letter and memorandum received under date of March 12 from Chairman Landis of the Securities and Exchange Commission largely reiterated recommendations made informally by members of the staff of the Commission at an earlier meeting with members of the Board and its staff, and that the suggestions were principally

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in the direction of enlarging the scope of the regulation and increasing the restrictions which would be contained therein, and, therefore, were not in accordance with the principle, upon which the draft of regulation had been prepared, that it should be as short and simple as possible.

During a discussion, the suggestion was made that the Board should consider Regulation "U", Loans by Banks for the Purpose of Purchasing or Carrying Equity Securities Registered on a National Securities Exchange; Regulation "T", Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges; and excess reserves of member banks at the same time, as involving related matters requiring consideration in connection with the general question of credit policy and that, therefore, action on Regulation "U" should be deferred until after the meeting of the Federal Open Market Committee next week when the general question of policy will be taken up. While this suggestion was not concurred in by all the members of the Board, it was felt that the Board should in any event agree upon the form of Regulation "U", leaving for separate decision, in connection with the determination of credit policies, the margin requirements to be prescribed in the regulation.

> Accordingly, it was agreed that the draft of regulation submitted by the Division of Security Loans should be given further consideration at a meeting of the Board to be held tomorrow morning at ten o'clock.

Mr. Wyatt referred to the request made at the meeting of the

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Board on March 4, 1936, that his office submit to the Board an opinion as to the validity of the elections of the five representatives of the Federal reserve banks as members of the Federal Open Market Committee, and stated that advice had been received that four representatives, all of whom are presidents of Federal reserve banks, had been elected. He inquired whether, in view of these circumstances, the Board still desired an opinion as to the validity of the elections.

After a brief discussion, it was agreed that the submission of the opinion requested would not be necessary.

At this point Messrs. Thurston, Wyatt, Dreibelbis, Goldenweiser, Smead and Parry 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:

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, 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 March 12, 1936, and by the Atlanta bank today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Sailer, Vice President of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on March 4, 1936, and reading as follows:

"In your letter of February 13, 1936, you state that

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"when the President's reemployment agreement went into effect the bank increased the hourly rates of pay of building operating employees paid on an hourly basis so that there would be no reduction in their weekly wage by reason of the reduction in working hours to 40 hours a week. You further state that as a result of a study you have recently completed of your building operating unit, which you have made with a view to effecting ultimate economies through reduction in personnel, you have increased the working hours of employees in the building operating unit to a point more nearly in line with what your recent survey indicates to be the working hours of similar employees in other large downtown banking institutions. You ask the Board to approve certain changes in the personnel classification plan which provide for a reduction in the hourly rate paid to building employees in order that their total wage after the increase in the working hours will remain unchanged.

"As you know, the Board has called a conference of the Presidents of all Federal Reserve Banks in Washington on March 16 for the purpose of discussing with them certain questions relating to a reorganization of the work of the Federal Reserve banks with a view to bringing about greater economy and efficiency in operating procedure. The Board expects to ask each Federal Reserve bank to make a careful survey of its entire organization and salary policies, and believes that the changes in the personnel classification plan recommended in your letter of February 13 should be deferred until such survey has been completed. The Board has, therefore, deferred action on the changes in the personnel classification plan recommended in your letter of February 13, 1936."

Approved unanimously.

Letter to the First of Boston International Corporation, Boston, Massachusetts, prepared for the signature of the Board's Fiscal Agent, and reading as follows:

"You are advised that the cost of the examination of your Corporation, made by examiners of the Board of Governors of the Federal Reserve System as of the close of business January 28, 1936, was $189.83.

"You are requested to deposit this amount in the Federal Reserve Bank of Boston, with instructions to that bank to credit it to the Federal Reserve Bank of Richmond for the account of the Board of Governors of the Federal Reserve System."

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Approved unanimously, together with a letter, to be signed by the Fiscal Agent, to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"The Board is today advising the First of Boston International Corporation that the cost of the examination of the Corporation, made by examiners of the Board as of the close of business January 28, 1936, was $189.83, and is requesting that the Corporation deposit this amount in the Federal Reserve Bank of Boston, with instructions to you to credit it to the Federal Reserve Bank of Richmond for the account of the Board of Governors of the Federal Reserve System.

"You are accordingly requested, upon receipt of this amount from the First of Boston International Corporation, to credit the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit."

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

"Reference is made to Mr. Young's letter of March 7, 1936, transmitting the request of the 'Blencoe State Bank', Blencoe, Iowa, for permission, in accordance with the provisions of membership condition numbered 8, to purchase for $3,000 the banking quarters now occupied by the bank.

"In view of the recommendation of your office and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed by the Board in connection with the bank's application for membership, the Board interposes no objection to such investment in the amount indicated and it is requested that you advise the bank accordingly.

"It is suggested that you acquaint the bank with the Board's views, which are known to your office, with respect to making adequate provision in depreciation of banking quarters owned."

Approved unanimously.

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Thereupon the meeting adjourned.

C. Lester Morrill
Secretary.

Approved: M S Eccles
Chairman.

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