

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 7, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. McKee

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

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

Telegram to Mr. Leach, President of the Federal Reserve Bank of Richmond, 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. Delano, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"In your letter of April 21 you state that it is proposed to transfer Mr. Lee E. Anderson, Acting Assistant Federal Reserve Agent at the Baltimore Branch, to the Transit Department on or about May 15, and recommend that Mr. Joseph C. Baugher, a senior clerk in the Reconstruction Finance Corporation Custodian Department, be transferred from that department and designated as Acting Assistant Federal Reserve Agent to succeed Mr. Anderson.

"You also state that 'In accordance with the Board's wishes, an employee of the Transit Department may not be designated as Acting Assistant Federal Reserve Agent'. Upon referring to the Board's letter X-7992 of August 25, 1934, you will note that while an Acting Assistant Federal Reserve Agent should be carried on the payroll of the Federal Reserve Agent and be solely responsible to him for

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"the proper performance of his duties, he may during such periods as he is not engaged with his duties as Acting Assistant Federal Reserve Agent be detailed by the Federal Reserve Agent to perform such functions for the bank as the Federal Reserve Agent may consider advisable. Accordingly, if your bank wishes to retain Mr. Lee E. Anderson as Acting Assistant Federal Reserve Agent and you desire to detail him to work in the Transit Department when he is not engaged in his duties as Acting Assistant Federal Reserve Agent the Board will offer no objection thereto.

"However, it is assumed that you wish to appoint Mr. Baugher as Acting Assistant Federal Reserve Agent and on that assumption the Board approves the appointment of Mr. Baugher. Before Mr. Baugher enters upon his duties as Acting Assistant Federal Reserve Agent he should execute the usual form of oath of office and surety bond in the amount of \$50,000 and should not enter upon the performance of his duties as Acting Assistant Federal Reserve Agent until such bond has been approved by the Board of Governors of the Federal Reserve System. Before such bond is forwarded to the Board for approval it should be examined by your counsel to determine whether its execution complies fully with the rules printed on the reverse side of the bond, form 182. It is understood that Mr. Baugher will be transferred to the payroll of the Federal Reserve Agent and will perform such work for the bank in addition to his duties as Acting Assistant Federal Reserve Agent as the Federal Reserve Agent, with the approval of the President, may direct."

Approved unanimously.

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

"Reference is made to your letter of April 27, 1936, requesting an interpretation of the following condition of membership to which the Farmers and Merchants State Bank of Springfield, Springfield, Minnesota, is subject:

"12. Except with the permission of the Federal Reserve Board, such bank shall not, after the date of its admission to membership, engage in the business of issuing or selling, either directly or indirectly (through affiliated corporations or otherwise) notes, bonds, mortgages, certificates, or other evidences

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"of indebtedness representing real estate loans or participations therein, either with or without a guarantee, indorsement or other obligation of such bank or an affiliated corporation.

"It is understood that prior to admission to membership the bank sold without recourse mortgage loans to a few customers of the bank, that such sales were only occasional transactions, not exceeding on an average 2 or 3 loans a year, that the bank wishes to be able to accommodate such customers whenever they are in the market for a mortgage loan, and that it has requested a ruling as to whether permission of the Board is required under condition of membership numbered 12 to make such sales. According to the statement of the bank, it never has been the intention to undertake such business on a large scale, and it considers that such sales of mortgage loans as it may make to its customers should be classed as isolated sales and not regarded as constituting a business.

"Standard condition of membership numbered 12 prohibits a bank from engaging in the business of selling mortgage loans. Occasional sales, without recourse, of mortgage loans at the solicitation of certain of the bank's customers would not come within the prohibitions of the condition of membership, and the permission of the Board, therefore, would not be required for such occasional transactions as are indicated in the bank's letter quoted in your letter of April 27, 1936."

Approved unanimously.

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

"This refers to your letter of May 1, 1936, with inclosures, reporting possible violations of the provisions of section 5209 of the Revised Statutes of the United States by Mr. Vincent A. Cleary, a former employee of the Pennsylvania Station branch of the Corn Exchange Bank Trust Company, New York, New York, and Mr. Ferdinand Huntensburg, a former employee of the Myrtle Avenue branch of the trust company, involving defalcations of \$2.40 and \$3.00, respectively.

"It is noted that these possible violations have also been reported to the United States Attorneys for the respec-

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"tive districts in which these branches are located; but, in view of the small amounts involved, the Board is not reporting them to the Department of Justice. This decision, however, should not influence you in reporting to the Board other possible violations of the criminal provisions of the banking statutes of the United States involving small amounts which come to your attention in the future, because the Board desires to receive special reports on all such cases as promptly as possible."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill  
Secretary.

Approved:

W. A. ...  
Chairman.