

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 29, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. McKee
Mr. Davis

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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 25, 1936, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on June 26 and 27, 1936, were approved and the actions recorded therein were ratified unanimously.

Telegram to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, 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.

Memorandum dated June 26, 1936, from Mr. Morrill stating that Mr. Davis had asked him to request the Board to appoint Miss Carol S. Piper as his private secretary with salary at the rate of \$2,800 per annum, effective as of July 1, 1936, with the understanding that, as Miss Piper would continue as a member of the Civil Service Retirement

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and Disability Fund and would not become a member of the Retirement System of the Federal Reserve Banks, it would not be necessary for her to submit to the usual physical examination.

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring to your letter of May 5, the Board approves the salaries fixed by your Board of Directors, effective July 1, 1936, for certain officers of your bank as follows:

F. C. Dunlop	Auditor	\$6,000
A. R. Larson	Ass't. Cashier	5,500
W. E. Peterson	Ass't. Cashier	5,000
O. R. Preston	Ass't. Cashier	5,000
R. E. Towle	Managing Director, Helena Branch	7,500
A. A. Hoerr	Cashier, Helena Branch	4,500
C. J. Larson	Ass't. Cashier Helena Branch	3,600

"In your letter you state that you assume the bank must have the approval of the Board of Governors for increases in pay of the 88 employees and decreases in pay of the 47 employees referred to in the survey of the Federal Reserve Bank of Minneapolis recently submitted to the Board of Governors. The salaries of the employees, it is assumed, all come within the personnel classification plan heretofore approved by the Board, and, if so, the changes in salaries of such employees do not require the advance approval of the Board of Governors.

"In the Board's letter of March 25, 1936, it was stated that the Board had in mind a procedure looking toward the placing of the chairmanship largely upon an honorary basis with the thought that the ministerial duties with respect to the issuance of Federal Reserve notes and the holding in custody of collateral therefor would actually be performed by Assistant Federal Reserve agents who would be experienced in such work and who would receive salaries commensurate with the duties and responsibilities to be assumed. In this connection, there is attached a copy of a letter to Mr. Walsh, Federal Reserve agent at Dallas, with respect to the duties to be performed by him as Chairman and Federal Reserve agent

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"on an honorary basis. The Board would expect the principles and procedure set forth in the letter to Chairman Walsh to be followed at all Federal Reserve banks.

"The Board's letter of March 25, 1936, also stated that the procedure contemplated would result in the transfer of the bank examination work and the research work, heretofore handled by the Federal Reserve agents, to the banking departments with the understanding, however, that such functions would, as heretofore, be conducted under the general supervision of the Board of Governors.

"In order to acquaint you more fully with the conditions under which it is contemplated that the examination and research work will be transferred to the banks, these conditions are set forth below in general terms. With respect to the examination function, the plan contemplates that:

1. All appointments of examiners at the Federal Reserve banks will continue to be subject to the approval of the Board of Governors.
2. The examination department will continue as a separate unit.
3. The examination department will be under the supervision of a Vice President to be designated by the bank after consultation with the Board.
4. The budget for this function will be subject to advance approval of the Board of Governors.

"The Vice President in charge of examinations, who will be designated as an examiner for the Federal Reserve bank, will, except in the larger banks, be expected to act as Chief Examiner. The Board would also expect the Vice President in charge of examinations to be responsible directly to the President of the bank and not to another Vice President or other officer.

"While it is expected that the President will keep himself informed of the activities and policies of the examination department, it is contemplated that correspondence, other than that relating to policy matters, would be carried on by the Board and its staff directly with the Vice President in charge of examinations. This procedure would be similar to that generally followed with respect to other correspondence about routine operating matters.

"After the transfer is made the Board will expect that the present policy of decentralization of examination work under the ultimate responsibility of the Board will continue, that the examination work will be conducted by the Federal Reserve banks under the general policies adopted by the Board, and that general supervision of the examination work of the System as a whole will continue to be exercised by the Board's

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"Division of Examinations.

"In the past the Federal Reserve agent's department has had custody of the reports of examinations made by the various agencies, which reports have been made available to certain officers of the bank and to certain designated employees in the Credit and Discount and other departments of the bank. When the bank examination department is transferred to the Federal Reserve bank instructions should be issued providing that the bank examination department will continue to have custody of reports of examinations, and proper safeguards should be established in order to preserve the confidential character of such information and to insure that the reports will be made available to officers or employees of other departments only when justified in the performance of their duties.

"The principles to govern the operations of the research and statistical organizations after their transfer from the agent's department to the bank are outlined in the following paragraphs which supersede those transmitted with the Board's letter of August 11, 1926, X-4646.

"Scope and purpose The purpose of the work of the research and statistical divisions of the Federal Reserve banks is to collect and digest information bearing on the problems with which the Federal Reserve System is confronted, either as a matter of current operation or as the basis of Federal Reserve policies.

"These divisions should provide a necessary service to the officials of the banks and to the Board of Governors of the Federal Reserve System and should also be useful to the general public. Owing to the joint usefulness of these services the Board expects its Division of Research and Statistics to keep in close touch with the activities of similar departments at the Reserve banks, and expects full cooperation in the System's work in this field.

"When a new project in the research and statistical field is in contemplation at a Reserve bank it should be worked out in cooperation with the Board's Director of Research and Statistics, except as to projects of small scope which involve no considerable expense. From time to time the Director of the Board's Division of Research and Statistics may find it necessary to request the cooperation of one or more Federal Reserve banks on research studies.

"Publications The Board wishes to continue the present practice under which all publications of the Federal Reserve banks dealing with matters or more than local interest are submitted to the Board of Governors

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"and issued only with the approval of the Board.

"Budget and personnel The budget of the statistical and analytical function should continue to be subject to the advance approval of the Board and all appointments of persons to supervisory positions in the statistical and analytical function should be subject to the approval of the Board.

"With respect to the statutory duties of the Federal Reserve agent, the Board will appoint, upon the recommendation of the Federal Reserve agent, one or more assistant Federal Reserve agents whose primary duties will be in connection with the issuance and retirement of Federal Reserve notes and the custody of collateral therefor. When an Assistant Federal Reserve agent is not engaged in work connected with the issuance and retirement of Federal Reserve notes it is assumed that, with the authorization of the Federal Reserve agent and the approval of the President, he will perform other work in the bank which is not inconsistent with his duties as Assistant Federal Reserve agent.

"It is not expected that the Assistant Federal Reserve agent will be charged with responsibility under section 30 of the Banking Act of 1933. The Vice President in charge of examinations should be charged with the responsibility of keeping the Federal Reserve Agent advised of violations of law by directors and officers of State member banks and of unsound banking practices in order to enable the Federal Reserve Agent to comply with the requirements of that section regarding the issuance of warnings to the directors and officers involved and the certification of facts in such cases to the Board of Governors.

"In your letter of May 5 you stated that your Board had unanimously voted that Assistant Federal Reserve agents Swanson and Powell should be elected Vice Presidents of the bank at their present salaries as soon as the Board of Governors has appointed an Assistant Federal Reserve agent to succeed these officers, and their resignations as Assistant Federal Reserve agents have been accepted by the Board of Governors. The Board of Governors is prepared to appoint an Assistant Federal Reserve agent as soon as the formal recommendation with respect thereto is received from Mr. Geery, as Federal Reserve agent. The person to be appointed as Assistant Federal Reserve agent should be a careful and conscientious employee of unquestioned integrity who will be competent to handle all work connected with the issuance and retirement of Federal Reserve notes. He need not, however,

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"be a person of the experience and ability required for performing the other statutory duties placed upon the Chairman and Federal Reserve agent. As soon as an Assistant Federal Reserve agent has been appointed and has executed the customary bond, resignations to be submitted by Assistant Federal Reserve agents Swanson and Powell will be accepted by the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Merrill
Secretary.

Approved:

W. S. Swanson
Chairman.