

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 2, 1936, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. Szymczak
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 July 1, 1936, were approved unanimously.

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

"Receipt is acknowledged of your letter of June 26, 1936, with inclosures, including copy of a letter dated June 19, 1936, from the Banco de Puerto Rico, which states:

'If there is no objection on the part of the Federal Reserve Board we prefer to leave pending for an indefinite time the decision on our application, but if that is not acceptable to the Reserve Board then please consider as withdrawn our application for membership.'

"The Board agrees with the position taken in your proposed reply to the bank but it is suggested that the concluding paragraph be revised to read somewhat as follows:

'It is contrary to established procedure in such cases to continue to hold an application in abeyance and we are therefore accepting your letter as a request for the withdrawal of the application and have advised the Board of Governors accordingly.'"

Approved unanimously.

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Letter to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"There is attached a copy of a letter dated June 24, 1936, from the Citizens Bank, Hartford, Kentucky, advising that the building now occupied by the bank will be sold at public outcry to settle an estate, that the property has been appraised at \$3,000 and that in the judgment of the management of the bank it will bring approximately that amount, and requesting advice as to how, in view of the provisions of membership condition numbered 8 to which it is subject, the bank should proceed in the matter.

"The latest report of examination as of March 13, 1936, indicates that the bank has no investment in banking house or other real estate and only \$900 in furniture and fixtures, and that it is in sound condition and under capable management. In view of such circumstances and the fact that an investment in the amount indicated would not appear to be unduly large and improper or otherwise violate the spirit or purpose of condition numbered 8, prescribed in connection with the bank's application for membership, the Board will interpose no objection to an investment for that purpose in the approximate amount indicated and it is requested that you advise the bank accordingly.

"In view of the relatively small amount involved and in order to expedite the matter the Board deemed it advisable to consider the direct request of the bank without first referring it to you for consideration. In advising the bank of the Board's action 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 for depreciation in banking quarters."

Approved unanimously.

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

"This refers to your letter of June 8, 1936, inclosing a copy of a letter from Mr. J. W. Allison, Vice President and Trust Officer, First and Merchants National Bank, Richmond, Virginia, relating to subsection (b) of section 7 of the Board's Regulation F, revised effective June 1, 1936, which reads as follows:

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'Record of pending litigation.---Every such national bank shall keep an adequate record of all litigation pending against it in connection with its administration of any trust.'

"The above provision is intended to apply only to litigation involving alleged negligence or misconduct of the bank for which the bank is answerable individually. While such provision does not apply to litigation involving the validity of a will or claims against an estate where there is no allegation of negligence or misconduct of the bank for which the bank is answerable individually, it is assumed that the bank will, of course, keep such records in that connection as will enable it properly to discharge its duties as a fiduciary."

Approved unanimously.

Telegram to the presidents of all Federal reserve banks, reading as follows:

"Paragraph relating to reserve ratios, which you were advised in our Trans 2413 of July 1 would be included in text of weekly Reserve bank statement to be issued today, has been modified to read as follows:

'Since the reserve ratios of individual Federal Reserve banks do not reflect conditions in the several Federal Reserve districts because most of the earning assets of the Federal Reserve banks consist of Government securities bought in the open market at the direction of the Federal Open Market Committee, the individual ratios of the several Federal Reserve banks are eliminated from the weekly statement of condition. The ratio of total reserves to Federal Reserve note and deposit liabilities will continue to be shown in the consolidated statement of assets and liabilities of all of the Federal Reserve banks combined.'

Approved unanimously.

Letter to Honorable Harry F. Byrd, Chairman, Special Committee on Federal Organization, United States Senate, reading as follows:

"In accordance with your request under authority of

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"Senate Resolution No. 217 to show all of the functions and/or activities conducted under the jurisdiction of this Board, the statutory authority therefor, and the total annual expenditures thereon for the fiscal year 1935, there are submitted herewith a chart showing the functions of the Board of Governors of the Federal Reserve System and of its various divisions and offices, a statement regarding the Federal Reserve System which also describes the functions of the Board of Governors, and a statement of the expenses of the Board of Governors and of each of its divisions and offices for the fiscal year ended June 30, 1935. The expenses of the Board of Governors are incurred under authority of the Federal Reserve Act as amended. None of the funds of the Board of Governors of the Federal Reserve System are Government funds or appropriated moneys, but all of the Board's expenses are paid from funds derived from assessments on the Federal Reserve banks pursuant to the provisions of the Federal Reserve Act."

Approved unanimously.

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

"It is noted from the minutes of the Conference of Presidents, held in Washington on Tuesday, May 26, 1936, that the conference adopted a resolution recommending to the Board of Governors of the Federal Reserve System 'that a meeting of the auditors of the several Federal Reserve banks be called for the purpose of exchanging views and possibly developing a more or less standard practice in auditing procedure at Federal Reserve banks and branches'. The Board believes that a conference of auditors would be helpful and suggests that such a conference be called for the latter part of September or early in October. It is suggested that a preliminary program for the conference be furnished the Board at an early date as the Board, after reviewing the proposed program, may wish to suggest the addition of a few topics."

Approved unanimously.

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

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"Referring to the minutes of the meeting of the Conference of Presidents, held in Washington on Tuesday, May 26, 1936, the Board notes with approval the resolution adopted by the Conference 'that, if agreeable to the Board of Governors of the Federal Reserve System, Mr. E. L. Smead be assigned to assist the Committee on Free Services in its studies'."

Approved unanimously.

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

"As you know the Conference of Presidents held in Washington on Tuesday, May 26, 1936, after considering your Circular No. 424, effective May 15, with respect to the collection of non-cash items voted 'that the conference believes the procedure with respect to services rendered by the Reserve banks should in so far as practicable be uniform throughout the System and hopes the Minneapolis bank will recall its circular until such time as this conference has had an opportunity to consider the report of the committee on free services and to take action thereon'.

"The Board will appreciate advice as to what action your bank has taken, or proposes to take, with respect to this matter."

Approved unanimously.

Letter to the Federal reserve agents at all Federal reserve banks reading as follows:

"There have been forwarded to you today ___ copies of revised Form B-13, a copy of which is attached, for use in submitting semi-monthly reports of member bank deposits, reserves, and borrowings from Federal Reserve bank, in lieu of the corresponding monthly reports submitted heretofore. It will be noted that a new item, 'Gross demand deposits', has been added. This addition has been made principally because, since the change in the method of calculating demand deposits subject to reserve following the enactment of the Banking Act of 1935, the item net demand deposits subject to reserve is a distinctly less satisfactory measure

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"than formerly of changes in the volume of demand deposits at country banks.

"It will be appreciated if you will arrange, if practicable, to have the current semi-monthly reports on Form B-13, as well as the corresponding weekly reports on Form B-6, mailed or wired in time to reach the Board's offices within two weeks from the end of the report periods. In case reports of deposits of a few member banks are unduly delayed, please substitute deposit figures of the previous report period for the missing banks.

"Please furnish the Board in addition with figures of gross demand deposits by months, in the first column of revised Form B-13, from January, 1936, to and including the last month for which report was submitted on the Form B-13 now in use."

Approved unanimously.

Thereupon the meeting adjourned.

Walter H. Hovick
Secretary.

Approved:

W. H. Hovick
Chairman.