

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 8, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Ransom  
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 7, 1936, were approved unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedules.

Approved unanimously.

Telegram to Mr. Robert E. Wood, President, Sears Roebuck & Company, Chicago, Illinois, reading as follows:

"Board of Governors is pleased to learn that you are willing to accept appointment as class C director of Federal Reserve Bank of Chicago and Deputy Chairman of that institution. Accordingly Board has appointed you as class C director of Chicago bank for unexpired portion of term ending December 31, 1938, and has also appointed you as Deputy Chairman of board of directors for remainder of current year. The Federal Reserve Bank of Chicago being advised today of Board's action and it will be appreciated if you

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"will wire collect formal confirmation of your acceptance. Board has also appointed Frank J. Lewis as class C director of bank for unexpired portion of term ending December 31, 1937."

Approved unanimously.

Telegram to Mr. Frank J. Lewis, Chicago, Illinois, reading as follows:

"Board of Governors is pleased to learn that you are willing to accept appointment as class C director of Federal Reserve Bank of Chicago. Accordingly Board has appointed you class C director of bank for unexpired portion of term ending December 31, 1937. The Federal Reserve Bank of Chicago is being advised of action of Board and it will be appreciated if you will wire collect formal confirmation of your acceptance. Board has appointed Robert E. Wood as class C director of bank for unexpired portion of term ending December 31, 1938, and as Deputy Chairman of board of directors for remainder of current year."

Approved unanimously.

Telegram to Mr. Walton N. Moore, Deputy Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"Board has designated you as Chairman of board of directors of Federal Reserve Bank of San Francisco and as Federal Reserve Agent for remainder of current year effective when you have executed usual oaths of office and corporate surety bond in amount of \$100,000. Bond should be examined by Counsel for Reserve bank to see that it is executed in accordance with rules printed on reverse side of form of bond and forwarded immediately to Board for approval. Inasmuch as your service will be on honorary basis, Board authorizes payment to you of fees provided by bank for other directors for attendance at meetings of board of directors, executive committee and other committees of your board. Board has appointed A. O. Stewart as class C director your bank for unexpired portion of term ending December 31, 1938 and as Deputy Chairman for remainder of current year. It is assumed that you will arrange to have Mr. Stewart take

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"oath of office incident to new position and that you will forward oath to Board in usual course."

Approved unanimously.

Telegram to Mr. A. O. Stewart, San Francisco, California, reading as follows:

"Board of Governors is pleased to learn that you are willing to accept appointment as class C director of Federal Reserve Bank of San Francisco and as Deputy Chairman of that institution. Accordingly Board has appointed you class C director of San Francisco bank for unexpired portion of term ending December 31, 1938, and as Deputy Chairman of board of directors of bank for remainder of current year. Bank is being advised today of Board's action and it will be appreciated if you will wire collect formal confirmation of your acceptance. Board has designated Walton N. Moore as Chairman of board and Federal Reserve Agent for remainder of current year."

Approved unanimously.

(Secretary's note) At the meeting on July 7, 1936, it was agreed that the four telegrams set forth above would be withheld pending receipt of advice from President McKinney in connection with the availability of Mr. W. A. Webb for appointment as a Class C Director of the Federal Reserve Bank of Dallas. However, Chairman Eccles received word today over the telephone from Mr. Wood in Chicago that information concerning his appointment had leaked out and it was agreed by the members of the Board that these telegrams should be sent out immediately without waiting for information concerning Mr. Webb.

Telegram to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Retel July 7, Board extends to August 11, 1936, time within which 'The State Bank of Viroqua', Wisconsin, may accomplish membership in System. Please advise bank accordingly."

Approved unanimously.

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

"Receipt is acknowledged of your letter of June 16, 1936, with reference to the applicability of the provisions of section 24A of the Federal Reserve Act to certain investments made and proposed to be made in the banking premises occupied by the Provident Trust Company, Philadelphia, Pennsylvania.

"It is noted that the Provident Trust Company occupies two banking houses, the main office building and a branch office building; that the main office building is owned entirely by the bank; and that title to the branch office building is vested in an affiliate, the Provident Title Company, the stock of which, except for directors' qualifying shares, is wholly owned by the bank. The report of examination made as of April 1, 1936, shows that the capital of the bank is \$3,200,000, and that the main office building is being carried on its books at \$2,743,797, after deducting a valuation reserve, and its investment in the stock of the affiliate at \$6,348,372.

"It is understood that, since the previous examination of the bank made as of May 25, 1935, the affiliate has expended out of its own funds approximately \$30,000 for improvements on the branch office building; that this amount was capitalized by the affiliate and not by the bank; and that the transaction did not result in any increase in the bank's carrying value of its investment in the affiliate. The bank has requested that the Board approve this transaction and give its 'further approval to expend and capitalize \$100,000 more on these two buildings to take care of the possible future expenditures for alterations and improvements that might be deemed expedient for the economical operation of the bank and its affiliate'. It is not entirely clear, however, whether the bank or the affiliate will furnish the funds with which to make such proposed \$100,000 expenditure.

"Your office has recommended that, if it is determined that the provisions of section 24A are applicable to transactions of this character, the Board approve the expenditure of \$30,000 already made by the affiliate and also approve the contemplated expenditure of \$100,000 'by the affiliate and/or trust company'.

"Since it appears that the bank is in good condition, is under strong management, and the amounts involved are

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"relatively small as compared not only with the size of the bank but also with its total capital accounts, and in view of the recommendation of your office, the Board, without attempting to determine any technical legal questions which may be involved as to whether the Board's approval is required under the provisions of section 24A of the Federal Reserve Act, approves the proposed expenditure of \$100,000 for the purposes stated and the expenditure of the \$30,000 which has already been made on the branch office building. 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 its banking quarters."

Approved unanimously.

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

"The question has been raised as to whether a Federal Reserve bank may lawfully make an advance under section 10(b) of the Federal Reserve Act to a member bank which at the time has in its portfolio paper eligible for rediscount or as security for advances from a Federal Reserve bank under other provisions of the Federal Reserve Act.

"Section 10(b) of the Federal Reserve Act, as it previously existed, authorized advances by a Federal Reserve bank in exceptional and exigent circumstances to any member bank having no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal Reserve bank or other method provided by the Federal Reserve Act. No such limitation on the authority to make advances under section 10(b), however, is contained in the section as it was amended by the Banking Act of 1935 and the legislative history of the section and of the Banking Act of 1935 shows that it was not intended by Congress that a member bank must have exhausted its eligible paper in order to receive an advance from the Federal Reserve bank under the provisions of the section.

"In the opinion of the Board, therefore, a Federal Reserve bank may lawfully make an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to a member bank which has assets eligible for rediscount or as security for advances from a Federal Reserve bank under

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"other provisions of the Federal Reserve Act. Moreover, such eligible assets may be used as security for an advance under section 10(b) of the Federal Reserve Act, if this should be desired for any reason and the security is satisfactory to the Federal Reserve bank.

"However, as you know, the question in any case whether advances should be made by a Federal Reserve bank is one for the determination of such bank as and when applications for such advances are received, and the further question of whether advances should be made by a Federal Reserve bank under section 10(b) when the borrowing member bank has paper which is eligible for rediscount or as security under other provisions of the Federal Reserve Act is a matter for the determination of the Federal Reserve bank in the light of the circumstances existing in each particular case."

Approved unanimously.

Letter to Mr. A. B. Colden, Clerk, Committee on Disposition of Executive Papers, House of Representatives, reading as follows:

"Receipt is acknowledged of your letter of May 23, 1936, inclosing copies of report No. 2761 authorizing the disposition by the Board of the useless papers referred to in the report.

"These papers weighed only 275 pounds and as the amount which could have been realized from their sale as waste paper was considerably less than the cost of publication of notice inviting proposals and the sale of the paper to the highest bidder, the Board authorized their destruction. In accordance with that authority and the procedure followed on previous occasions the papers have been incinerated under the direction of the United States Destruction Committee. A copy of the certificate of destruction is attached for your records."

Approved unanimously, with the understanding that the letter would not be dispatched until the useless papers referred to therein had been destroyed.

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Thereupon the meeting adjourned.

Robert Morrell  
Secretary.

Approved:

W. C. ...  
Chairman.