

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

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. Szymczak
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 10, 1936, were approved unanimously.

Memorandum dated July 9, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Miss Elizabeth P. Tewksbury as a clerk in the Division, with salary at the rate of \$1,620 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Telegram to Mr. Geery, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your July 6 telegram recommending appointment H. G. McConnell Assistant Federal Reserve Agent at salary of \$5,000 per annum, and H. C. Timberlake of Statistical Department and John Carlander of Examination Department as alternate Assistant Federal Reserve Agents,

7/11/36

-2-

"and to your July 8 wire advising that McConnell will continue to act as Secretary of Industrial Advisory Committee and Examiner of industrial loans.

"As indicated in the Board's letter of June 29, 1936 Board contemplates that principal duty of Assistant Federal Reserve Agent will be in connection with issuance and retirement of Federal reserve notes. While Board would expect person appointed to this position, when not engaged in work connected with issuance and retirement of Federal reserve notes, to perform under authorization of the agent and with approval of the President other work in bank not inconsistent with his duties as assistant Federal reserve agent, the Board does not feel that as a matter of general policy a person who has a relatively more important position in the bank and whose primary responsibilities therefore are outside the agent's department should occupy the position of assistant Federal reserve agent and be carried upon the agent's payroll at a salary in excess of that reasonably commensurate with his duties in the latter capacity.

"Accordingly, Board approves appointment of H. G. McConnell as Assistant Federal Reserve Agent, effective July 13, 1936, or as soon thereafter as he has executed the customary bond, with salary at rate of \$5,000 per annum, for the remainder of this calendar year, with the understanding that his appointment and duties will be reviewed in connection with the budget for 1937. Board also approves appointment of H. C. Timberlake of Statistical Department and John Carlander of Examination Department as alternate Acting Assistant Federal Reserve Agents, effective July 13, 1936, or as soon thereafter as they have executed customary bonds. It is understood Timberlake and Carlander will continue to perform duties now assigned them and will perform work in connection with issuance and retirement of Federal Reserve notes only in absence of McConnell."

Approved unanimously.

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

"This refers to your letter dated June 30, 1936, and inclosures, presenting the question whether deposits made by borrowers in an 'Installment Plan Account' for the purpose of liquidating loans obtained from the personal loan department of the Homewood Bank at Pittsburgh, Pittsburgh, Pennsylvania, create a deposit liability on the part of the

7/11/36

-3-

"bank against which reserves are required to be maintained with the Federal Reserve Bank of Cleveland under the provisions of section 19 of the Federal Reserve Act.

"In a ruling published at page 538 of the Federal Reserve Bulletin for September, 1931, the Board took the position that a member bank is required to carry reserves against amounts received on deposit for the purpose of repaying loans made to borrowers through its personal loan department. This ruling states the present view of the Board regarding this matter and appears to cover the case presented in your letter."

Approved unanimously.

Letter to President Harrison, as Chairman of the Presidents' Conference, prepared in accordance with the action taken at the meeting of the Board on July 7, 1936, and reading as follows:

"Your letter of June 30, 1936, concerning the statement of policy adopted by the Board with respect to organization and personnel questions at the Federal reserve banks was discussed at a meeting of the Board of Governors and it was noted that the letter was prepared by a committee of Presidents at the request of the last conference of Presidents.

"The Board asked me to advise you that the letter has been made a part of its records on this subject, and that when the contents of the policy record required to be kept by the Board under the provisions of the last paragraph of section 10 of the Federal Reserve Act are taken up for consideration attention will be given to the question of making reference in that record to your letter."

Approved unanimously.

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

"Receipt is acknowledged of your letter of July 3, 1936, with reference to the applicability of section 32 of the Banking Act of 1933 to the service of Mr. Edward F. Breed as a director of Security Trust Company, Lynn, Massachusetts, a member bank, and as director and officer of Loomis, Sayles & Company, Inc., Loomis-Sayles Mutual Fund, Inc., and Loomis-Sayles Second Fund, Inc.

7/11/36

-4-

"As stated in the Board's letter of June 26, 1936, it appears that the only factor which might make section 32 applicable is the sale of the stock of Loomis-Sayles Second Fund, Inc., and in this connection you have inclosed a letter from Mr. Breed dated July 2, 1936, in which he states that up to June 30, 1936, there were outstanding 59,804 of such shares, out of a total of 100,000 shares authorized, and that for the first six months of 1936 sales totaled 26,000 shares, which he thinks is a fair indication of the degree of activity in connection with their sale at the present time."

"These figures indicate that sales during the first six months of 1936 were equal to about 77 per cent of the total shares outstanding at the beginning of the year. In the circumstances, it appears that one of the primary activities of the Fund at this time is the issue and sale of its shares, and that section 32 therefore prohibits the relationships of Mr. Breed described in the first paragraph of this letter."

Approved unanimously.

Letter to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, amended in accordance with the action taken at the meeting of the Board on July 7, 1936, and reading as follows:

"The Board has received your letter of April 8, 1936, with further reference to the applicability of the Clayton Act to the service of Mr. Harry A. Wheeler as Chairman of the Board of the Mercantile Trust and Savings Bank and as director of the First National Bank of Chicago, both of Chicago, Illinois.

"It appears that the only Clayton Act permit which Mr. Wheeler holds is that issued to him under date of October 11, 1932 authorizing him to serve only as 'director' of the two banks named above; that he was elected Chairman of the Board of the Mercantile Trust and Savings Bank in January, 1933; but that this fact was not brought to the Board's attention until January 27, 1936, when you addressed a letter to the Board suggesting that the permit issued to him in 1932 be 'extended to cover Mr. Wheeler's services as Chairman of the Board of the Mercantile Trust and Savings Bank'.

"In the Board's letter of March 9, 1936, you were advised that, inasmuch as the Board's authority to issue individ-

7/11/36

-5-

"ual permits was repealed by the Banking Act of 1935, the question whether Mr. Wheeler could continue to serve as Chairman of the Board of the Mercantile Trust and Savings Bank as well as director of that bank and the First National Bank until February 1, 1939 depends upon the terms of the permit previously issued to him; and, since that permit authorized him to serve only as 'director' of the two banks, it did not cover his service as an officer, namely, Chairman of the Board, of the Mercantile Trust and Savings Bank.

"From the statements quoted in your letter of April 8, 1936, it now appears that, as Chairman of the Board of the Mercantile Trust and Savings Bank, his only duties are to serve as an active director, to preside at meetings of the Board of Directors and to serve as a member of the Executive Committee.

"While the Board regrets the situation that has arisen, there seems to be no legal basis for a ruling that such service is covered by the permit issued in 1932 authorizing Mr. Wheeler to serve as a director of the Mercantile Trust and Savings Bank and director of the First National Bank of Chicago at a time when he had not yet become Chairman of the board of the former institution. The Board regrets, therefore, that it is unable to find any legal basis for changing the view expressed in its letter of March 9, 1936."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. S. Coates
Chairman.