A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 22, 1936, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
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:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, and Mr. Keesee, Secretary of the Federal Reserve Bank of Richmond, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 21, 1936, from Mr. Van Fossen recommending the temporary appointment, for a period of three months, of Miss Mabel Virginia Holland as a comptometer operator in the Division of Bank Operations with salary at the rate of $120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Memorandum dated July 21, 1936, from Mr. Paulger recommending that the headquarters of Mr. John T. Boysen, Assistant Federal Reserve
Examiner, be changed from Chicago, Illinois, to Omaha, Nebraska, effective on that date.

Approved unanimously.

Bond in the amount of $100,000.00, executed under date of July 9, 1936, by Mr. Walton N. Moore as Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved unanimously.

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

"This refers to your letter of July 7, 1936, inquiring whether subsection (a) of section 11 of Regulation F prohibits the investment of trust funds by a national bank in obligations executed by an officer of the bank as a receiver appointed by a Federal court.

"The pertinent provisions of the regulation read as follows:

'(a) Obligations of trustee bank or its directors, officers, etc.—Funds received or held by a national bank as fiduciary shall not be invested in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.'

"With respect to such provisions, footnote numbered 10 states:

'* * * this requirement contemplates that the national bank will not invest trust funds in the obligations of any organization in which officers, directors, or employees of the bank have such an interest as might affect the exercise of the best judgment of the management of the bank in investing trust funds.'

"While, of course, the interest of the officer of the bank when acting as receiver would be an official interest rather than a personal interest in the obligation, the Board agrees with the suggestion contained in your letter that
"Even an official interest of this kind is such as might influence the action of the bank and affect the exercise of the best judgment of the bank in investing trust funds. Accordingly, the Board feels that the investment in question comes within the intent and purpose of the prohibition contained in the above-quoted provisions of the regulation.

"Attention is also called to the following provisions of section 11(k) of the Federal Reserve Act, although the Board cannot undertake to interpret or determine the applicability of such statutory provisions since they impose a criminal penalty and their enforcement falls within the jurisdiction of the Department of Justice:

'It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than $5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court."

Approved unanimously.

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

"Receipt is acknowledged of your letter of July 17, together with its inclosures, in regard to a recent inquiry of the Banco de Venezuela, Caracas, Venezuela, fiscal agent of the Venezuelan Government, as to the possibility of its obtaining a loan against gold for the purpose of forwarding the Government's plans of exchange control.

"The Board has reviewed the information which you have submitted concerning the Banco de Venezuela and the exchange position of the country and approves the action of the executive committee of your board of directors in voting to grant to the Banco de Venezuela, against the security of gold to be earmarked at the Federal Reserve Bank of New York and having a present value of approximately $4,900,000, a credit of up to $4,500,000 for a period of three months, interest to be charged on amounts actually advanced under the credit at your bank's discount rate, at present 1 1/2% per annum, the question of renewal of the credit to be held in abeyance until the expiry of the three months, at which time a request for a
"renewal will be entertained if submitted by the Banco de Venezuela. It is understood that if the credit is granted to the Banco de Venezuela your bank will offer a participation therein to the other Federal reserve banks as you have done in like instances in the past.

"The Board also approves the action of your executive committee in voting to hold in safekeeping at the Federal Reserve Bank of New York for the Banco de Venezuela 600,000 English gold sovereigns of a present value of approximately $4,900,000, the charge for such custody to be $1/2 per mille (1/20 of 1%) per annum on such part of the gold held in custody as is not pledged under the credit, which is the customary charge made for such custody in the case of foreign central banks which have no account with your bank. It is noted, however, that you propose to advise the Banco de Venezuela that no charge would be made for holding this gold in custody if it were to open and maintain an account with your bank along substantially the same general lines and subject to substantially the same terms and conditions as for other central banks having accounts with your bank. If a request should be forthcoming from the Banco de Venezuela that your bank open an account for it on your books, it is assumed that such request will be submitted to the Board for approval in the usual manner."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Chairman.