

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 28, 1936, at 11:15 a. m.

PRESENT: Mr. Eccles, Chairman  
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  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Wyatt, General Counsel

Chairman Eccles stated that he had received a letter under date of July 16, 1936, from Mr. L. B. Williams of Cleveland submitting the names of individuals in the Cleveland District whom he felt might be considered by the Board for appointment as Class C Director to fill the vacancy on the board of the Federal Reserve Bank of Cleveland. The letter, which was read by Chairman Eccles, contained the names of George C. Brainard, Youngstown, Ohio, S. B. Sutphin, Cincinnati, Ohio, and F. A. Smythe, Elyria, Ohio. During the discussion which ensued the suggestion was made that action on the appointment of a Class C Director at Cleveland be deferred for a short period in order that Mr. McKee might have an opportunity to look into the matter a little further.

Action was deferred in accordance with this suggestion.

Mr. McKee asked for information with respect to the continuation as a member of the Board's staff of Mr. J. M. Daiger, Special Assistant to the Board. Chairman Eccles outlined briefly, for the in-

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formation of the members of the Board, the work which Mr. Daiger had been engaged in under the direction of the Chairman and stated that he saw no reason why his services as a Special Assistant to the Board should not be terminated in the course of the next thirty or sixty days when his present assignment will be completed, and that should he (Chairman Eccles) desire to retain Mr. Daiger after that period in connection with the work of the Chairman's office, a recommendation would be submitted to the Board that he be placed on the staff of that office.

Thereupon Mr. McKee moved that the services of Mr. Daiger as Special Assistant to the Board be terminated as of the close of September 30, 1936.

Carried unanimously, with the understanding that the Chairman would personally handle the matter with Mr. Daiger.

At this point Mr. Vest, Assistant General Counsel, joined the meeting.

Mr. Ransom called attention to the action taken by the Board on June 30, 1936, in referring to him for consideration and recommendation the question of the correctness of the Board's ruling that a deposit of a labor union may not be classified by a member bank as a savings deposit. He reviewed the consideration which had been given by the staff and by the Board to this matter and stated that, in addition to the inquiry contained in the letter addressed to the Federal Reserve Bank of Chicago under date of June 18, 1936, by the Harris Trust

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and Savings Bank of Chicago regarding the publication of the Board's ruling, it had come to his attention that the report of a recent examination of the Amalgamated Bank of New York, a member bank, showed that the bank was carrying on its books the accounts of eighty-one labor unions which it had classified as savings deposits; that very likely a similar situation existed to some extent in other member banks; and that, therefore, the question whether the Board would adhere to its ruling and what action it would take with respect to publication thereof was a matter on which the Board should reach a conclusion as promptly as possible.

After a discussion, Mr. Ransom stated that he had given careful thought to the matter and that it would be his recommendation that the Board adhere to its ruling as being a sound and proper one under the existing regulation and that the ruling be published in the next issue of the Federal Reserve Bulletin.

At this point Mr. Paulger, Chief of the Division of Examinations, joined the meeting.

Further discussion ensued, during which it was pointed out that the rulings made by the Board under the definition of savings deposits, as contained in subsection 1(e) of Regulation Q, involved a number of border-line cases, and it was suggested that, as the total amount of deposits involved in such cases was not large as compared with the total deposits of member banks, it might be advisable to amend the

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regulation so as to permit the classification of deposits of corporations, associations or other organizations not operated for profit as savings deposits.

In this connection, Mr. Wyatt stated that, while he had no strong feeling concerning the amendment of the regulation as suggested above, he felt careful consideration should be given by the Board to the fact that the same definition of savings deposits should be contained in Regulation D, Reserves of Member Banks, as is contained in Regulation Q, and that such a definition may become a very important factor in the future in connection with the reserves required to be maintained by member banks with the Federal Reserve banks. He also expressed the opinion that there would be more difficult questions presented in determining whether concerns were being operated for profit than are presented by the definition of savings deposits now contained in Regulation Q and that the rulings made by the Board on the basis of that definition could be sustained as a matter of law.

At the conclusion of the discussion, Mr. Ransom moved that Counsel be requested to prepare for the consideration of the Board (a) a draft of a definition of savings deposits which would be designed in accordance with the basic idea that savings deposits represent only the accumulations of individuals, and (b) a second draft of the definition on a broader basis which would permit the classification as savings deposits of funds

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of corporations, associations or other organizations not operated for profit.

Carried unanimously.

It was understood that in the preparation of the drafts above referred to Counsel would consult with members of the staff of the Board and the Federal Deposit Insurance Corporation for the purpose of obtaining their views on the matter.

At the suggestion of Mr. Ransom, it was agreed that a meeting of the Board should be held tomorrow morning at 11:00 a. m. for the purpose of considering the action to be taken by the Board in connection with the claim of the liquidating trustees of the Fletcher-American National Bank of Indianapolis against the Federal Reserve Bank of Chicago and that at the meeting of the Board on Friday, July 31, consideration should be given to the question of the revision of Regulation A, Advances to and discounts for member banks by Federal Reserve banks which had been referred to Mr. Ransom.

At this point Messrs. Thurston, Wyatt, Vest and Paulger left the meeting and consideration was then given to each of the following matters 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 17, 1936, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on July 18, 20, 21, 22, 23, 24, and 27, 1936, were approved and the actions recorded therein were ratified unanimously.

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Telegram to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, 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.

Thereupon the meeting adjourned.

Chester Mowbray  
Secretary.

Approved:

W. S. Steeles  
Chairman.