

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, August 27, 1936, at 11:00 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak
Mr. Davis

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Paulger, Chief of the Division of Examinations
Mr. Smead, Chief of the Division of Bank Operations
Mr. Vest, Assistant General Counsel
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Piser, Research Assistant in the Division of Research and Statistics

There was presented a draft of letter to Mr. L. A. Moyer, Chief Examiner of the United States Civil Service Commission, reading as follows:

"Receipt is acknowledged of your letter of August 20, requesting that the Commission be furnished with a list of legal positions in the Board's organization, such as, attorney, legal adviser, counsel, solicitor, etc. It is noted that these positions should be listed according to (1) classified positions under the Civil Service Act of 1883, and (2) non-classified or excepted positions. It is also noted that the information is desired in order to comply with a request from the Attorney General for a compilation of certain statistics relating to the employment of attorneys and others holding similar positions in the various agencies of the Government, which is to be furnished to the House Committee on Reorganization.

"No members of the legal staff of the Board of Governors of the Federal Reserve System hold classified positions under the Civil Service Act of 1883. However, there is inclosed a list of counsel for the Board, all of whom occupy

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"non-classified positions in accordance with the provisions of section 11(1) of the Federal Reserve Act."

After a discussion, the letter was approved unanimously, with the understanding that it would be held until the return to Washington on Monday, August 31, 1936, of Mr. Wyatt, General Counsel, and that unless he had some suggestions to make at that time with regard to the letter it would be dispatched immediately.

Consideration was also given to a memorandum dated August 19, 1936, from Mr. Morrill transmitting a copy of drafts of entries for the policy record covering matters of policy acted upon by the Board during the period from February 1 to May 31, 1936, inclusive. The memorandum stated that the drafts were being submitted to the Board at this time for review in order to lessen as much as possible the burden that would be imposed upon the members of the Board at the end of the year in connection with the approval of the policy record, but with the understanding that should the Board desire to make corrections in the drafts at any time before the annual report for the year 1936 (in which the policy record will appear as an appendix) is printed, a review of the drafts at this time would not prevent such changes. Mr. Ransom had attached a memorandum to the file stating that there were a number of matters in connection with the drafts which he and Mr. McKee would like to suggest when the drafts were taken up for consideration at a meeting of the Board. The file had been circulated among the members of the Board for their consideration prior to discussion at a meeting.

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It was agreed unanimously that action on the proposed drafts for the policy record should be deferred until a meeting of the Board can be held at which all of the members are present. It was understood, however, that prior to such a meeting the file would be reviewed by the members of the Board and that each member would attach thereto a memorandum containing any suggestions he might have to make with regard to the record or changes in the drafts of entries.

Mr. Ransom stated that, in accordance with the action taken at the meeting of the Board on August 11, 1936, he had discussed with the Comptroller of the Currency the application for fiduciary powers filed by The First National Bank of Christiansburg, Christiansburg, Virginia, and that the Comptroller had expressed the opinion that no general rule could be laid down for use in connection with the granting of trust powers to national banks, that each application should be considered on the basis of the circumstances existing in each case, but that trust powers should not be granted to banks where it is not apparent that there will be a sufficient amount of trust business available to the bank to justify the creation of a properly organized trust department and to enable the operation of such a department on a profitable basis. The Comptroller felt, Mr. Ransom said, that some banks have regarded a trust department as a means of securing business for the commercial department and that in such circumstances the department was an expensive service which involved the possibility of considerable liability on the part of the bank.

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At the conclusion of a discussion of the general question of the desirability of granting trust powers to small national banks, it was voted unanimously that the file, including the draft of letter to the Comptroller of the Currency which had been prepared by the Division of Examinations and referred to at the meeting of the Board on August 11, 1936, should be recirculated among the members of the Board for consideration in the light of Mr. Ransom's report of his conversation with the Comptroller and the discussion at this meeting, following which the application should be returned to the docket for consideration at a subsequent meeting.

Mr. Ransom referred to the action taken by the Board on August 25, 1936, in approving a telegram to the Federal Reserve Bank of New York in which it was stated that the Board approved the action of the directors of the bank in authorizing the officers to convey to the Bank for International Settlements, for transmittal to the National Bank of Hungary and all participants in the central bank credits to the National Bank of Hungary, the views of the Federal Reserve Bank of New York as set forth in President Harrison's letter of August 13, 1936. Mr. Ransom suggested that in view of the fact that there were only three members of the Board in Washington on that date and the approval of Mr. Broderick, who was in New York, was obtained over the telephone, the Board ratify its action at this meeting.

Mr. Broderick moved that the Board approve, ratify and confirm the action taken on August 25, 1936, as set forth in the telegram above referred to.

Carried unanimously.

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Reference was also made to a memorandum dated August 18, 1936, from Mr. Thomas, recommending that the Board approve the substitution in the Federal Reserve Bulletin for the table now printed in the Bulletin showing the distribution of bills and securities held by the Federal reserve banks, two new tables, one showing the maturity distribution of bills, and the other the maturity distribution of securities, held by the reserve banks. Mr. Ransom stated that he had discussed the recommendation with Mr. McKee and had requested that the matter be given consideration at a meeting of the Board for the reason that Mr. McKee felt that the present was an inopportune time to make a change in the manner of reporting maturities of securities held by the Federal reserve banks as such a change at this time might be misinterpreted by the public.

Following a statement by Mr. Thomas that it was not proposed to include the two new tables in the September issue of the Federal Reserve Bulletin and that, therefore, there was no need for an immediate decision by the Board on the matter, it was agreed unanimously to defer action until a meeting of the Board at which Mr. McKee is in attendance.

Attention was called to a memorandum dated August 20, 1936, from Mr. Morrill referring to the circular, issued by the Board with its letter of January 25, 1936, to the Federal reserve banks, setting forth the terms and conditions under which the Federal reserve banks were authorized to discount eligible paper for individuals, partner-

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ships and corporations under the provisions of the third paragraph of section 13 of the Federal Reserve Act. The memorandum stated that the authority of the Federal reserve banks to discount such paper expired as of the close of July 31, 1936, and the question now presented was whether that authority should be renewed for a further period. There was attached to the file a memorandum dated August 18, 1936, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, stating that with the exception of advances made by the Federal Reserve Bank of Kansas City to the Phenix Marble Company, Kansas City, Missouri, in the aggregate amount of \$13,060, no discounts were made by the Federal reserve banks during the six months ending July 31, 1936, under the authority granted by the Board; that it would seem that this company could obtain accommodation from the Federal Reserve Bank of Kansas City under the provisions of section 13b of the Federal Reserve Act if not from commercial banks, and that as there did not appear to be any demand from other sources for such accommodation it was not believed that the Board would be warranted in renewing its authorization to the Federal reserve banks.

In connection with this matter Mr. Broderick suggested that a letter be sent to the Federal reserve banks stating that the Board does not contemplate renewing the authority to the Federal reserve banks to discount eligible paper for individuals, partnerships and corporations under the third paragraph of section 13, and inquiring whether the Fed-

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eral reserve banks see any objection to such a course.

Mr. Smead was requested to prepare a letter in accordance with Mr. Broderick's suggestion for the Board's consideration.

Reference was then made to several letters which had been received by the Board from individuals asking numerous questions with respect to the note issuing function of the Federal reserve banks. Some of these letters were read and the suggestion was made that a statement should be prepared in simple, concise language, which could be used in answering inquiries of this kind.

At the conclusion of a discussion of the matter it was understood that Messrs. Smead, Thomas and Vest, with the assistance of Mr. Daiger, Special Assistant to the Board, would prepare a draft of statement in accordance with the above suggestion for the consideration of the Board.

At this point Messrs. Paulger, Smead, Vest, Thomas and Piser left the meeting and consideration was then 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 August 24, 1936, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 25 and 26, 1936, were approved

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and the actions recorded therein were ratified unanimously.

Telegrams to Mr. Broaddus, Vice President of the Federal Reserve Bank of Richmond, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. McKinney, President of the Federal Reserve Bank of Dallas, 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.

Telegram to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Referring to your August 21 letter, Board approves appointment of H. H. Rhodes as Assistant Federal Reserve Agent at your bank, effective September 1, at his present salary of \$3,600 per annum. Before entering upon his duties as Assistant Federal Reserve Agent he should execute the usual oath of office and surety bond in the amount of \$50,000, and such bond should be examined by your counsel to see that its execution complies fully with rules printed on reverse side of bond, Form 182. After execution the bond should be forwarded promptly to Board for approval. In the interest of System uniformity it is requested that, effective September 1, the title of Mr. Woolley be changed from Acting Assistant Federal Reserve Agent to Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Telegram to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Board hereby approves amendments made on August 20, 1936, to uniform by-laws of all branches of your Reserve bank, as shown in copy of branch by-laws inclosed with your

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"letter of August 21, 1936. Several questions which have recently arisen regarding by-laws of branches of all Federal Reserve banks have suggested the advisability of a review of entire subject of by-laws of branches, and Board expects to make such a review in order to bring about such changes as may seem desirable."

Approved unanimously.

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

"In accordance with the practice in previous years, a conference of the heads of the bank examination departments of the Federal reserve banks will be held in Washington this fall. It is suggested that your bank be represented at the conference by the Assistant Federal Reserve Agent in charge of the bank examination department, the chief examiner and the trust examiner. Your bank, of course, may also send other representatives if it so desires. The reference to the Assistant Federal Reserve Agent is solely by reason of the fact that the reorganization plan of your bank has not yet been put into effect. However, it is assumed that such a plan will become operative before the conference meets and in such event, of course, the suggestion as to representation should be modified to include the vice president in charge of the bank examination department instead of the Assistant Federal Reserve Agent.

"The latter part of October appears to be the convenient time for the conference and it will be appreciated if you will advise Mr. L. H. Paulger, Chief of the Board's Division of Examinations, as to the dates during that period which would be most convenient for the representatives of your bank.

"As was the case in the previous conferences, it is contemplated that during most of the time the trust examiners will meet separately to consider the questions which are the greatest interest to them in their particular field.

"It is requested that suggested topics for the programs for the two groups be forwarded before September 20, 1936 to Mr. Paulger. A tentative draft of the program based upon such suggestions will then be forwarded to the Federal reserve banks for their further consideration. It will be the intent

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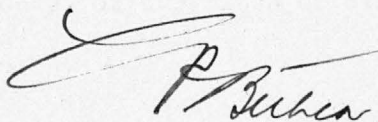
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"to formulate a program which will be flexible enough to afford opportunity for discussion of various subjects as they may arise, as it is felt that, with the relatively small number in attendance, the conference will be most helpful if it partakes largely of the nature of a round table discussion, affording every representative present opportunity to raise questions which he may consider of importance.

"A similar letter is being sent by the Board to each of the other Federal reserve banks."

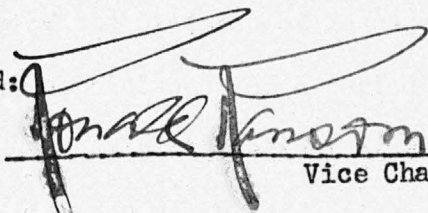
Approved unanimously, together with similar letters to the Federal Reserve Agent's office at New York, Philadelphia and San Francisco, and to the Presidents of the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City and Dallas. The letters to the Presidents suggested that the respective banks be represented by the vice president in charge of examinations, the chief examiner, and the trust examiner.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.