

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 17, 1936, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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. Gilbert, First Vice President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, 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.

Letter to "The First National Bank of Christiansburg", Christiansburg, Virginia, prepared in accordance with the action taken at the meeting of the Board on September 11, 1936, and reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of

9/17/36

-2-

"the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. McAdams, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of September 8, and to a letter from Mr. Thomas dated July 31, with respect to the method of reporting outstanding drafts drawn on the Federal Reserve bank in condition reports published by the First St. Joseph Stock Yards Bank, South St. Joseph, Missouri. It appears from Mr. Thomas' letter of July 31 that the First St. Joseph Stock Yards Bank correctly reported outstanding drafts on the Federal Reserve bank as a liability in reserve reports submitted to your bank, and in the published condition reports, but that on its own books it charged such drafts directly to its reserve account with the Federal Reserve bank, and that the Superintendent of Banks raised the question as to the propriety of the bank's publishing a condition report which was not in agreement with its books.

"The procedure outlined in your letter to the First St. Joseph Stock Yards Bank under date of September 4 correctly sets forth the position taken by the Board and it is understood from your letter that the instructions contained therein will be followed in the future by that bank. It is also understood that this will bring the bank's books and its published statements into agreement and should therefore eliminate any further criticism with respect to the manner of reporting outstanding drafts drawn on Federal Reserve banks."

Approved unanimously.

Letter to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of September 5, 1936, inclosing a copy of a draft of the revised by-laws of the Cin-

9/17/36

-3-

"cincinnati Branch and requesting our comments with regard thereto. It is noted that the by-laws of the Pittsburgh Branch, when revised, will be identical with those of the Cincinnati Branch, except with regard to the description of the branch territory and other appropriate changes.

"It is noted that in describing the branch territory of the Cincinnati Branch, in section 2 of Article I, the County of Clark in Ohio is omitted. It is assumed that this was done by inadvertence.

"It is understood that the provisions of section 1 of Article III of the proposed by-laws relating to the tenure of officers and the provisions of Article IV relating to the compensation of an associate counsel are, of course, subject to the provisions of the Federal Reserve Act which authorize the Board to remove officers and directors of Federal Reserve banks and which make any compensation of officers, directors and employees of Federal Reserve banks subject to the approval of the Board.

"It is noted that the proposed reduction in the number of directors from 7 to 5 would take place at the time of the first meeting of the board of directors of the Branch in January 1937, and it is understood that the reduction is to be effected by a failure on the part of the Board of Governors and on the part of Federal Reserve Bank of Cleveland to appoint successors to the two directors of the Cincinnati Branch (other than the managing director) who were appointed for terms expiring at the end of the present calendar year.

"The proposed by-laws have been considered and, with the understandings stated above, the Board is prepared to approve by-laws of the Cincinnati Branch and of the Pittsburgh Branch of your bank substantially in the form inclosed with your letter of September 5, 1936.

"For your information in this connection, however, you are advised that a number of questions which have arisen in connection with the by-laws of the branches of the Federal Reserve banks have suggested the advisability of a review of the entire procedure relating to by-laws of branches and the Board expects to make such a review with a view to bringing about such changes as may seem desirable."

Approved unanimously.

9/17/36

-4-

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of September 4, 1936, in which you suggest that the Board's interpretations of law and regulations be submitted to the Federal Reserve banks in the form of brief digests.

"It is believed to be important to a clear understanding of the interpretations issued by the Board that the Federal Reserve banks should be advised of the exact facts upon which a particular ruling is based together with full information as to the qualifications and comments which may be made by the Board with reference to such ruling. While digests are doubtless helpful in some instances, they, nevertheless, tend to increase the possibility of misunderstanding of the basis of scope of the rulings and the circumstances in which they are applicable. For these reasons, it is believed that Federal Reserve banks should have before them the exact language of the interpretations made by the Board so that in considering similar cases which may come to their attention the possibility of error or misunderstanding may be minimized. Accordingly, the Board feels that it is not desirable to send digests of interpretations to the Federal Reserve banks in lieu of the interpretations themselves.

"There is now in course of preparation a digest of the published rulings of the Board which will bring up to date the digest of rulings published at the close of the year 1927. It will probably be some months before this is completed, but it is hoped that it will be of some aid to the Federal Reserve banks as well as to the member banks. As in the case of the previous digest of rulings, however, while the attempt is made to include the salient facts and the conclusion with respect to each ruling, it is of course necessary to omit much of the detailed discussion and reasoning leading to the conclusion. For a thorough understanding of a ruling, therefore, the information contained in the digest will not serve the same purpose as an examination of the ruling itself."

Approved unanimously.

9/17/36

-5-

Thereupon the meeting adjourned.

O. Lester Morley
Secretary.

Approved:

Franklin D. Johnson
Vice Chairman.