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A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 10, 1936, at 7:20 p. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Broderick
Mr. Szymczak
Mr. McKee
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 meetings of the Board of Governors of the Federal Reserve System held on November 6 and 9, 1936, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 7, 1936, were approved and the actions recorded therein were ratified unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, 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.

Letter to Mr. Logan, General Counsel for the Federal Reserve

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Bank of New York, reading as follows:

"In response to your letter of November 2, 1936, you are advised that the Board has approved the employment by your bank of Pitney, Hardin & Skinner, Esqs., attorneys of Newark, New Jersey, in connection with the loan to the Townsend Lawn Mower Company, made pursuant to section 13(b) of the Federal Reserve Act.

"In this connection, it is understood that the bank will not pay or agree to pay such attorneys any fees in excess of \$1,000 without the prior approval of the Board."

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"In response to your letter of October 30, 1936, you are advised that the Board approves the payment to Messrs. Taylor, Miller, Busch and Boyden of \$3,000 for professional services and \$151.33 for their expenses incurred in connection with the claim of the Liquidating Trustees of the Fletcher American National Bank of Indianapolis against the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"This refers to Mr. Sonne's letter of October 16, 1936, regarding the question whether deposits of the Industrial Indemnity Exchange may be classified by member banks as savings deposits under the definition contained in section 1(e) of Regulation Q.

"It appears that the Industrial Indemnity Exchange is a reciprocal or inter-insurance exchange engaged in arranging the interchange of indemnity contracts of Workmen's Compensation Insurance between the subscribers at the Exchange. Under the definition in Regulation Q and the rulings of the Board of Governors with reference to similar organizations, it is the view of the Board that the conclusion of your Counsel that deposits of the Industrial Indemnity Exchange may not be classified by member banks as savings deposits is correct.

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"However, the Board of Governors is now reviewing a number of the rulings which it has heretofore made with respect to the classification of deposits of certain organizations as savings deposits and it is possible that some change may be made which will affect the classification of deposits of reciprocal or inter-insurance exchanges. It is impossible at this time to determine whether or not any such change will be made and, therefore, unless you have already taken steps to obtain a reclassification of the deposits in question, it is suggested that the matter be held in abeyance until further action of the Board."

Approved unanimously.

Letter to Mr. Donald L. Wilkins, c/o Prentice-Hall, Inc., Washington, D. C., reading as follows:

"Reference is made to your letter of September 22, 1936, requesting a ruling by the Board which would define the term 'suitable audit' as used in Section 8 of Regulation F (Trust Powers of National Banks).

"It is the view of the Board that the term in question is not one susceptible of a precise definition which would be applicable to all cases. It seems apparent that an audit which would be suitable or adequate in the case of a small trust department in a country bank would not be suitable or adequate in the case of a large trust department in a big city bank, and the converse is equally apparent. It may be stated, however, as a general principle, that a suitable audit would be one sufficiently comprehensive in scope and detailed in execution to inform the institution's board of directors fully as to the condition and operations of the department and of the matters of criticism, if any, which require especial attention and correction.

"In the circumstances, the Board does not feel that it should undertake to furnish, as requested by your subscriber, a list of the items to be audited and functions to be checked."

Approved unanimously.

Thereupon the meeting adjourned.

W. Foster Moore
Secretary.

Approved:

W. Steuler
Chairman.