A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 24, 1936, at 10:30 a.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
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Vest, Assistant General Counsel

Chairman Eccles reviewed briefly for the information of the members of the Board certain discussions which he had had with Administration officials regarding the possibility of legislation affecting banking at the forthcoming session of Congress. In this connection, he referred also to the informal request made by the Board last spring that the senior members of the staff make certain studies with respect to the existing banking structure and stated that he would like to utilize such of the material and items brought out by these studies as would be useful in developing an Administration program for legislation; that he did not feel that the Board needed to commit itself to any particular program, as it would be necessary for the Board to be in a position to meet new developments as they arise by
adjustments in the program; and that he would discuss with the Board from time to time the developments in the program. He pointed out that the Board or its members might be called upon at some time to express their views and that it would, of course, be desirable for them to be prepared for such a possibility.

Mr. McKee raised the question whether the Board or its members should suggest or sponsor any legislation until the recommendations of the Board are requested by the appropriate committees of Congress and expressed the opinion that the members of the Board should be kept fully advised of any developments or discussions with respect to banking legislation. The question was discussed at length and the prevailing opinion appeared to be in accord with that of the Chairman.

There was presented a memorandum dated November 13, 1936, from Mr. Broderick, which had been circulated among the members of the Board and in which he recommended that a report be prepared weekly showing the status of all special studies being made by various divisions of the Board or by individuals on the staff indicating under whose general supervision or direction such studies are being made.

Mr. Broderick stated that it was his intention that the memorandum referred to in the recommendation would include only special studies requested by members of the Board requiring considerable time on the part of members of the staff and not any of the routine studies or reports prepared in the usual course. He suggested that action on the recommendation be deferred until after he has completed his final
Mr. Broderick's suggestion was approved unanimously with the understanding that the memorandums now being prepared covering the status of matters referred by the Board to members of the Board, committees thereof, or divisions of the staff, would be prepared as of every alternate Friday rather than weekly as in the past.

Reference was then made to a letter received from Mr. H. S. Johnson, President of The Point Pleasant National Bank, Point Pleasant, West Virginia, under date of November 21, 1936, referring to the Board's letter of November 18, 1936, and requesting that he be given an opportunity to question before the Board Messrs. Starr and Chorpening, Examiners for the Comptroller of the Currency. The letter stated that the reason for this request was that some matters of importance had come to Mr. Johnson's attention since his return home following the hearing on November 10, 1936, and that in order to clarify them it would be necessary to request additional information from Messrs. Starr and Chorpening.

The Secretary was requested, after ascertaining that the date would meet the convenience of the Comptroller of the Currency, to advise Mr. Johnson that he may appear before the Board at its offices for the purpose of questioning Messrs. Starr and Chorpening at 2:00 o'clock p. m. on Wednesday, December 2, 1936.

Subsequently the Secretary reported that the suggested date was agreeable to the office of the Comptroller of the Currency and that it would be convenient for Messrs. Starr and Chorpening to be at the Board's offices at that time.
At this point Messrs. Thurston, Wyatt, Smead and Vest 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 November 23, 1936, were approved unanimously.

Memorandum dated November 23, 1936, from Mr. Morrill, recommending the appointment of Miss Elva A. Hoyt as a stenographer in the office of the Secretary, with salary at the rate of $1,560 per annum, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that, inasmuch as Miss Hoyt was a member of the Civil Service Retirement System, she would retain such status if employed by the Board and would, therefore, not be required to submit to a physical examination or become a member of the Retirement System of the Federal Reserve Banks.

Approved unanimously.

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

"Reference is made to your letter of November 14, 1936, with regard to the membership application of the 'Orange County Trust Company', Middletown, New York, which was approved by the Board on November 6, 1936, subject to acceptance by the trust company of certain conditions of membership, including standard condition of membership numbered 6 relative to security for trust funds deposited in its banking department.

"It is understood that under the laws of New York trust funds received by a trust company as guardian, trustee,
executor, administrator, committee or depository and deposited in its own banking department are protected by statutory preference and that there has been no change since the Board's letter of July 17, 1935 to Mr. Case, Federal Reserve Agent, in the preferred status of such deposits. Standard condition of membership numbered 6, however, was prescribed in the case of the Orange County Trust Company, as is the practice of the Board in similar cases, in order that the provisions of the condition may be invoked at any time in the future if necessary.

"So long as deposits of trust funds are protected by statutory preference and the policies stated in the Board's letter of July 17, 1935 to Mr. Case remain in effect, you are authorized on behalf of the Board, and without reference of the matter to the Board, to waive compliance with standard condition of membership numbered 6 under the same terms and conditions as are contained in the Board's letter of July 17, 1935 to Mr. Case. Such authorization, of course, applies to the Orange County Trust Company, Middletown, New York.

"Please forward to the Board for its records a copy of any letter to a trust company waiving compliance with the standard condition of membership numbered 6."

Approved unanimously.

Letter to Mr. Thomas C. Lynch, President, Carthage National Exchange Bank, Carthage, New York, reading as follows:

"This refers to your letter of September 15, 1936, relating to the question whether, under the Board's Regulations Q and F, your bank may deposit in its savings department funds which it holds in a fiduciary capacity, such deposits being evidenced by passbooks.

"Under the definition of the term 'savings deposit' contained in subsection (e) of section 1 of Regulation Q, such a deposit may consist of funds held by any fiduciary if the entire beneficial interest therein is held by one or more individuals or a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit. The following language of such subsection recognizes that such a deposit may consist of funds held by the bank itself in a fiduciary capacity:

'The presentation by any officer, agent or employee of the bank of a pass book or a duplicate thereof retained by the bank or by any of its
"Officers, agents or employees is not a presentation of the pass book within the meaning of this regulation except where the pass book is held by the bank as a part of an estate of which the bank is a trustee or other fiduciary, or where the pass book is held by the bank as security for a loan."

"You have also raised a question whether, in reports of your fiduciary department, trust funds deposited in the savings department of your bank should be treated as invested capital or otherwise. The question whether a particular deposit of trust funds should be considered an investment of those funds would seem to depend upon all the facts relating to the funds of the particular trust involved, including the purposes of the deposit and applicable provisions of the trust instrument. In the circumstances, the Board does not feel that it should attempt to advise you generally on this question. However, if you should desire any further advice with regard to the funds of a particular trust, it is suggested that you may wish to discuss the matter with the national bank examiner at the time of the next examination of your bank. If you then have any further question, it is suggested that you communicate with the Federal Reserve Bank of New York."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Chairman.