

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 24, 1936, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
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 meeting of the Board of Governors of the Federal Reserve System held on December 23, 1936, were approved unanimously.

Telegram to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, 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.

Memorandum dated December 16, 1936, from Mr. Smead, Chief of the Division of Bank Operations, reading as follows:

"Prior to 1929-30 an arrangement was in effect whereby the Federal Reserve banks could grant increases during the year to employees receiving less than \$2,500 per annum but had to obtain the advance approval of the Board before increasing the salary of an employee to an amount in excess of \$2,500 per annum. At the end of each year the Board reviewed the salaries of all employees in keeping with the provisions of Section 4 of the Federal Reserve Act.

"By the end of 1930 the Board had approved personnel classification plans for all Federal Reserve banks. Under these plans each Federal Reserve bank was authorized to hire an employee or to promote or demote an employee without first securing the

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"Board's approval, provided the salary paid did not exceed the maximum salary specified in the personnel classification plan for the position occupied. Changes have been made in these plans from time to time as the need for new positions and other changes arose.

"In 1935 the Board approved a suggestion made by one of the banks that it would be desirable to have the personnel classification plans reviewed in the light of experience gained in their operation and a conference was held in Chicago on April 17, 1935 which was attended by officials of all Reserve banks and representatives of the Board. As a result of this conference a number of changes were recommended in the general set-up of the personnel classification plans. The most important of these changes was a proposal to adopt a general rather than a specific description of work for stenographers, typists, junior clerks, file clerks and messengers. Other changes included the discontinuance of the statement of qualifications previously shown for each position and the elimination of 'minimum' salaries.

"In the Board's letter of March 24, 1936, X-9526, the banks were requested to submit revised plans on the new basis. The plans as now submitted for the Board's approval show a description of duties and the maximum salary of each non-official position in the bank. Such revised plans have now been received from all banks except Boston but the plan for the Federal Reserve Bank of Cleveland was returned to the bank at its request. A separate memorandum will be submitted with respect to the revised plan of the Federal Reserve Bank of New York.

"The personnel classification plans of the 9 remaining banks have been carefully reviewed and in certain cases where the salaries appeared to be out of line they were discussed with the Presidents at the time of the last Presidents' Conference, except in a few instances where they were taken up over the telephone with the Vice President in charge of personnel. All of these differences have now been ironed out and in order that the schedules showing the January 1, 1937 salaries of employees at the various banks may be submitted in accordance with the revised plans it is recommended that the personnel classification plans of all banks, except Boston, New York and Cleveland, be approved.

"There are attached statements showing for each bank newly created and discontinued positions having maximum salaries of \$4,000 or more and the number of positions where the maximum salary has been increased or decreased more than \$100. In these statements there have been included as 'new positions' certain positions which have previously been in existence under different titles. For example, all Federal Reserve banks have examiners who make examinations of trust departments of state member banks, although several of them have not heretofore made specific provision for that position in the personnel classification plan. In such cases, however, the salary paid the

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"trust examiner was specifically approved by the Board or came within the maximum salary range provided for other examiners. Assistant Federal Reserve agents have previously been considered as officers, as was the Manager of the Auditing Department at Dallas and the Chief of the Division of Research at the Federal Reserve Bank of San Francisco. It will be noted from the attached statements that there is a definite trend toward decreases in maximum salaries at all of the 9 Reserve banks referred to above, except Minneapolis and San Francisco.

"In a few cases where employees are receiving salaries in excess of the maximums provided in the classification plans for the positions occupied, the banks have requested authority to continue to pay, for the reasons set forth in the attached statement, salaries now paid to such employees. In some of these cases the employees will retire at an early date or proper steps will be taken within a reasonable period to bring the salaries paid within the maximums provided in the personnel classification plan. It is believed that at least for a temporary period the larger salaries are justified, and it is recommended that they be approved.

"Mr. Sinclair, President, Federal Reserve Bank of Philadelphia, provided a maximum of \$5,000 for the Head of the Transit Department, but after consulting with this office agreed to reduce it to \$4,500. He states, however, that he is willing to retain the maximum of \$4,500 for this position with the understanding that the bank will request the Board's approval for an increase in the salary of the Manager, Mr. Cobb, over the present maximum.

"Mr. Worthington, First Vice President of the Federal Reserve Bank of Kansas City, also states that the Supervisor of the Supplies Department is now receiving \$396 in excess of the maximum provided for the position but that he will be retired in another year and in the meantime it is desired to pay him his present salary. He also states that a stenographer in the Fiscal Agency Department, who was formerly secretary to Governor Bailey, has had her salary reduced to \$1,896, which is \$96 more than the maximum provided for the position and he hopes that it will not be necessary to further reduce her salary. It is assumed that the Kansas City bank will ask the Board's authority to continue to pay these two employees their present salaries.

"Since the non-statutory duties of the Federal Reserve agents have been transferred to the banks the position of assistant Federal Reserve agent is regarded as unofficial, whereas formerly assistant Federal Reserve agents were regarded as officers. This change made it necessary to provide for the position of assistant Federal Reserve agent in the personnel classification plans. The description of the duties provided for this position at many of the banks, however, is not entirely satisfactory. Accordingly, we have prepared a description of the

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"duties for that position and for the position of Federal Reserve agent's representative at the branches. It is recommended that these revisions be approved by the Board and the Federal Reserve banks be asked to substitute them for the corresponding pages in their personnel classification plans. In this connection the present salary of each assistant Federal Reserve agent at the nine banks covered by this report, and the proposed maximum salaries for such positions are as follows:

<u>Federal Reserve Bank</u>	<u>Present salary</u>	<u>Proposed maximum salary</u>
Philadelphia	\$4,500*	\$4,500
Richmond	2,400	2,700
Atlanta	4,000	4,000
Chicago	4,300	4,500
St. Louis	2,400	3,300
Minneapolis	5,000	5,000
Kansas City	3,600	3,600
Dallas	5,000	4,000
San Francisco	3,900	4,200

*Mr. Post, assistant Federal Reserve agent, also receives \$3,500 as Secretary to the Board of Directors, an official position."

Approved unanimously.

Letter to the board of directors of the "Trust Company of Wyoming County", Warsaw, New York, stating that, effective if and when The Wyoming County National Bank of Warsaw, Warsaw, New York, The National Bank of Wyoming, Wyoming, New York, and the North Java Company, North Java, New York, are merged with the Trust Company of Wyoming County, under the charter of the latter institution and the title of Wyoming County Bank and Trust Company, and subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the

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Federal Reserve Bank of New York:

- "7. Such bank shall make adequate provision for depreciation in its banking houses and furniture and fixtures.
- "8. Such bank shall, at the time of admission to membership, have assets and liabilities substantially the same in amount and character as shown in the pro forma statement compiled by the Federal Reserve Bank of New York from reports of examination made as of the close of business August 29, 1936 by examiners for the Federal Reserve Bank of New York and examiners for the New York State Banking Department, and shall have a paid-up and unimpaired capital of at least \$500,000, and a surplus of at least \$150,000.
- "9. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses as shown in the report of examination of such bank made as of August 29, 1936, by an examiner for the Federal reserve bank.
- "10. The adjustments made in connection with the mergers referred to in the first paragraph of this letter shall provide for the chargeoff or elimination otherwise of the following assets:
 - (a) All assets listed for chargeoff or as deductions, together with all doubtful assets for which a reserve was set up by the examiner for the State Banking Department in his report of examination of the Wyoming County National Bank as of August 29, 1936.
 - (b) Estimated losses as shown in the report of examination of the North Java Company, made as of August 29, 1936, by an examiner for the Federal Reserve Bank of New York.
- "11. That the Federal Deposit Insurance Corporation give its prior written consent to the assumption by the Trust Company of Wyoming County of the liability to pay the deposits made in the North Java Company, North Java, New York."

Approved unanimously, together with a letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Trust Company of Wyoming County', Warsaw, New York, for membership in the Federal Reserve System, effective if and when The Wyoming County National Bank of Warsaw, Warsaw, New York, The National Bank of Wyoming, Wyoming, New York, and the North Java Company, North Java, New York, are merged with the Trust Company of Wyoming County, under the charter of the latter institution and the title of Wyoming County Bank and Trust Company, subject

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"to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks of the State of New York for his information.

"In accordance with previous advice, you are authorized on behalf of the Board, and without reference of the matter to the Board, to waive compliance by the bank with the requirements of the 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.

"The Board's action in approving the application has been based largely upon the fact that the largest bank in the group is a national bank and therefore a member of the System and that the proposed consolidation is considered to be a constructive step in improving the existing situation. It is believed, however, that the affairs of the bank should be followed closely and it is expected that your bank will do so.

"The board of directors of the bank appears to be decidedly weak and made up exclusively of officers. It is understood that the bank proposes to obtain the services of at least two outside directors. It is felt that this should be done promptly and that the strongest directors possible should be selected from men who are free from any domination by the controlling interests.

"Before issuing stock in the Federal Reserve Bank of New York to Wyoming County Bank and Trust Company, you should satisfy yourself that its capital stock as required in condition numbered 8, has been fully paid in, and that all agreements and contracts entered into between it and The Wyoming County National Bank of Warsaw, The National Bank of Wyoming and the North Java Company pertaining to the transactions referred to in the first paragraph of this letter, and, if possible, any amendments made to the certificate of incorporation of the applicant bank in connection therewith have been considered by your counsel and that he is satisfied as to the legal aspects involved. It is requested that a copy of the opinion of your counsel, together with copies of the agreements, as finally executed, any such amendments and the approval given by the State Superintendent of Banks to the establishment of the branches at Wyoming and North Java, be forwarded to the Board as soon as possible. In order that the Board's records may be complete, please forward also a copy of the debentures which were issued to the Reconstruction Finance Corporation in June, 1934.

"While all the facts are not available, it appears that, after the admission of the Wyoming County Bank and Trust Company to membership, the Financial Institutions, Inc., technically may be a holding company affiliate of the bank within the meaning of section 2 (c) of the Banking Act of 1933, as amended. As you know, under the provisions of the Board's Regulation P, in a case of this kind

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"the holding company affiliate would be required to have at least filed an application for a voting permit prior to the admission of the subsidiary bank to membership, and Regulation P contains other provisions with reference to the holding company affiliate in such case obtaining a voting permit from the Board. However, in the present case, it is understood that in connection with the bank's admission to membership the Reconstruction Finance Corporation will purchase 17,500 shares of stock in the Wyoming County Bank and Trust Company as compared with 12,528 shares which will be held by Financial Institutions, Inc. It is further understood that the Reconstruction Finance Corporation will vote the shares owned by it at the next election of the bank's directors, and that under the law of the State of New York such election of directors must be held on or before the third Wednesday in January, 1937. It seems clear, therefore, that any holding company affiliate relationship which may exist at the time of the admission of the bank to membership will be terminated within a short time after the bank is admitted. On the basis of its understanding of the facts as described above, therefore, the Board waives the applicable provisions of its Regulation P.

"Inclosed is a letter approving the establishment of branches at Wyoming and Java which you are requested to forward to the board of directors of the Trust Company of Wyoming County. Inclosed also is a copy of the letter for your files."

In connection with the above matter, the following letter to the board of directors of the "Trust Company of Wyoming County", Warsaw, New York, was also approved unanimously:

"In connection with the application of the 'Trust Company of Wyoming County', Warsaw, New York, for stock in the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at Wyoming, New York, and North Java, New York, respectively, by the Trust Company of Wyoming County, effective if and when the Trust Company of Wyoming County is admitted to membership in the Federal Reserve System, subject, however, to the approval of the appropriate State authorities."

Letter to the board of directors of the "Jackson City Bank and Trust Company", Jackson, Michigan, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount

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of stock in the Federal Reserve Bank of Chicago:

"7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Jackson City Bank and Trust Company', Jackson, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted that, on page B-1 of the report of examination as of November 9, 1936, the examiner stated that the cashier of the bank had been informed of the provisions of the regulations concerning savings accounts and listed several accounts as apparently not conforming with the provisions of the Board's Regulations D and Q. Among such accounts was the Michigan State Prison Inmate Account, which it was stated represented deposits of money taken from inmates upon entering the prison. While sufficient information is not given to pass definitely upon the point, it appears that the account might be considered a savings deposit under the provision of section 1 (e) of Regulations D and Q referring to deposits in which the entire beneficial interest is held by one or more individuals. It is assumed that, if such account may properly be considered a savings account under the provisions of the Board's regulations, the bank will be so advised.

"It has been noted that the report of examination of the trust department contains several criticisms of the operations of the department, including some cases of self-dealing. According to the examiner, however, the comments and criticisms contained in the report of examination reflect more lack of technical training in trust business than willful neglect, and he states that he discussed the various matters with officers of the bank and a director, who promised that consideration would be given to the various matters discussed. It has been noted that in the memorandum prepared by your bank in connection with the application for membership the belief was expressed that a general improvement would be shown in the detailed operations of the department, and it is assumed that you will satisfy yourself that the proper corrections will be made in order to bring the operations of the trust department into

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"conformity with approved procedure.

"In view of the fact that the examiner has reported that the estimated losses shown in the report of examination were charged off during the examination, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"The Board has not prescribed the special condition of membership recommended by your bank with reference to the future exercise of the broad corporate powers of the Central State Building Company which are not now being exercised, since it is believed that any exercise of such powers would come within the provisions of the Board's standard condition of membership numbered 1 which has been prescribed for the applicant bank. However, if you feel that the bank may be under any misapprehension as to the right of the Central State Building Company hereafter to exercise any of such broad corporate powers without obtaining the permission of the Board under condition of membership numbered 1, it is suggested that you inform the bank as to the Board's position in this regard."

Letter to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letters of December 1 and December 18, 1936, with regard to whether the Citizens and Southern Bank, Charleston, South Carolina, may, after its admission to membership in the Federal Reserve System, continue to operate two out-of-town branches established by it in July, 1933, and November, 1934. You have advised that the bank has the amount of capital which a national bank located in Charleston would be required to have in order to establish such branches.

"Under the provisions of section 9 of the Federal Reserve Act, the Board must approve the retention of any branches established subsequent to February 25, 1927, by a State bank outside of the city in which it is located before such bank may be admitted to membership and such approval must be given 'on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks'. Section 5155 of the Revised Statutes of the United States provides that a national bank, subject to certain prescribed restrictions and conditions, may establish a branch at any point within the State in which it is located 'if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks'. Accordingly, as you have stated, the answer to the matter about which you have inquired depends upon whether the statute law of the State of South Carolina authorizing the establishment and operation of branches by State banks is the kind of statute law specified in the provisions of section 5155 of the Revised Statutes just quoted.

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"The Acting Attorney General of the United States, in an opinion rendered under date of October 27, 1933, a copy of which is published on page 708 of the Federal Reserve Bulletin for November, 1933, held that, considering the language of sections 7835 and 7836 of the Code of South Carolina for 1932, to which you have referred, the related and antecedent legislation of this State and the actual situation existing therein in the matter of branch banking, the statutes of South Carolina meet the requirements of section 5155 of the Revised Statutes, and that national banks may establish and operate branches in the State, with the approval of the Comptroller of the Currency and subject to the restrictions as to location imposed by the State law, as provided in section 5155.

"In the light of the opinion of the Acting Attorney General of the United States referred to above, the Board considers that it may authorize a State bank in South Carolina applying for membership to retain, after its admission to membership, out-of-town branches established by it subsequent to February 25, 1927, provided that the bank has the amount of capital specified in section 5155 of the Revised Statutes and has observed the restrictions as to location imposed by the laws of that State in establishing such branches."

Approved unanimously.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "BancOhio Corporation", Columbus, Ohio, entitling such organization to vote the stock which it owns or controls of the following banks:

- "The Ohio National Bank of Columbus", Columbus, Ohio,
- "The Union National Bank of Cadiz", Cadiz, Ohio,
- "The First National Bank of Chillicothe", Chillicothe, Ohio,
- "The Commercial National Bank of Coshocton", Coshocton, Ohio,
- "The Delaware County National Bank of Delaware", Delaware, Ohio,
- "The Madison National Bank of London", London, Ohio,
- "The First National Bank of Marysville", Marysville, Ohio,
- "The National Bank of Portsmouth", Portsmouth, Ohio,
- "The First National Bank and Trust Company of Springfield",
Springfield, Ohio,
- "The First National Bank of Washington Court House",
Washington Court House, Ohio,

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- "The Citizens National Bank in Zanesville", Zanesville, Ohio,
 "The Fifth Avenue Savings Bank Company", Columbus, Ohio,
 "The Licking County Bank", Newark, Ohio,
 "The Perry County Bank", New Lexington, Ohio.

at all meetings of shareholders of such banks. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "(1) Prior to the issuance of the general voting permit authorized herein, corporate seal of applicant shall be affixed to agreement signed by applicant under date of December 15, 1936, signed copy of which accompanied Fletcher's letter of December 17, 1936, to Board, (seal to be affixed to signed copy in possession of Federal Reserve Bank of Cleveland; or you shall be furnished with opinions of counsel for applicant and Federal Reserve Bank of Cleveland that such seal is not necessary under the laws of the State of Ohio.
- "(2) Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate Exhibit L (F.R.B. Form P-3) executed by Ohio Agricultural Credit Corporation, and Exhibit N (F.R.B. Form P-4) executed by applicant and consented to by Ohio Agricultural Credit Corporation; or furnish assurances satisfactory to you that such Exhibits will be executed and delivered to you within thirty days after the issuance of the general voting permit authorized herein; or furnish evidence in writing satisfactory to counsel for the Federal Reserve Bank of Cleveland that such Exhibits are not required by the Board's Regulation P and the directions on the printed forms referred to.
- "(3) Prior to the issuance of the general voting permit authorized herein, the applicant shall execute and deliver to you in duplicate an instrument in the following form: 'The application for a voting permit, under authority of section 5144 of the Revised Statutes of the United States, heretofore filed by BancOhio Corporation, Columbus, Ohio, with the Board of Governors of the Federal Reserve System, is hereby amended by adding to Exhibit A of such application the names and addresses of The Madison National Bank of London, London, Ohio, and The First National Bank of Marysville, Marysville, Ohio. BancOhio Corporation hereby agrees that it will be bound by all of the terms and agreements contained in said application and by the provisions of the agreement executed by such corporation under date of December 15, 1936, and filed with the

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"Board of Governors of the Federal Reserve System, to the same extent as if the names of such banks had been included in Exhibit A of such application as originally executed."

The telegram also stated that if, in compliance with condition (1) above, the corporate seal of the applicant is affixed to the copy of the agreement in the possession of the Federal Reserve Bank of Cleveland, such copy should be forwarded to the Board and the copy heretofore forwarded to the Board would be returned.

Approved unanimously.

Telegram to Mr. Schelling, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Wisconsin Bankshares Corporation", Milwaukee, Wisconsin, entitling such organization to vote the stock which it owns or controls of the following banks:

"The First National Bank of Berlin", Berlin, Wisconsin,
 "The Union National Bank of Eau Claire", Eau Claire, Wisconsin,
 "First-Fond du Lac National Bank", Fond du Lac, Wisconsin,
 "The First National Bank of Madison", Madison, Wisconsin,
 "The First National Bank of Menomonie", Menomonie, Wisconsin,
 "Badger State Bank of Milwaukee", Milwaukee, Wisconsin,
 "First Wisconsin National Bank of Milwaukee", Milwaukee, Wisconsin,
 "The First National Bank of Monroe", Monroe, Wisconsin,
 "First National Bank in Oshkosh", Oshkosh, Wisconsin,
 "The First National Bank of Portage", Portage, Wisconsin,
 "The First National Bank of Rice Lake", Rice Lake, Wisconsin,

at all meetings of shareholders of such banks. The condition contained in the telegram upon which the permit was authorized was as follows:

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"Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385, except that paragraphs numbered 4 and 5 shall be omitted and remaining numbered paragraphs appropriately re-numbered, that word 'State' shall be omitted from paragraph numbered 2, and that paragraph lettered (D) may be omitted if it is objectionable to applicant."

The telegram requested the assistant Federal reserve agent, upon issuance of the general voting permit authorized therein, to forward to the Federal Reserve Bank of Minneapolis a copy of the permit and a copy of the agreement executed by the applicant pursuant to the condition prescribed above. The telegram also stated that certain of the banks listed above may not be technically subsidiaries of the applicant but, in accordance with the practice heretofore followed by the Board, no attempt had been made to pass upon such question in connection with the authorization of the general voting permit, and the Board intended that all of such banks be included in the permit issued pursuant to the telegram.

Approved unanimously.

Letter to President Schaller of the Federal Reserve Bank of Chicago, prepared pursuant to the action taken at the meeting of the Board on December 1, 1936, and reading as follows:

"Experience gained in the administration of the Securities Exchange Act of 1934 has been such as to demonstrate, in the opinion of the Board, the necessity of having well qualified men to assume charge of such work at several of the Federal Reserve banks, including the Federal Reserve Bank of Chicago.

"A man properly qualified for this work should be in sympathy with the spirit and purpose of the Act and able to appreciate fully the importance of the Board's responsibilities under the Act. He should be a person who is interested in exploring this phase of the Board's problem of credit control; interested in cultivating useful contacts with brokers, bankers, and other persons subject to Regulations T and U; anxious to inform himself

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"fully as to the nature and extent of practices prevailing in the securities business and in brokerage offices in order to be able to discharge adequately the duties of his office; and reasonably adept in the technique of investigation by interview. He should be thoroughly grounded in the field of his responsibility and capable of exercising sound and independent judgment in that field. Such a man should be qualified, within a reasonable period, to establish and maintain effective and constructive relationships with brokers, representatives of securities exchanges, and such officers and employees of other Federal Reserve banks and of the Board as are specializing in this work.

"The Board is advised that at present the work in question is not being handled satisfactorily at the Federal Reserve Bank of Chicago, largely by reason of the fact that the man assigned to this work, Mr. Dawes, has neither sufficient grounding in this particular field nor sufficient aptitude for it to enable him to render the type of service requested. Accordingly, the Board suggests that you review the situation, and, after consultation with Dr. Parry, Chief of the Board's Division of Security Loans, take such action as appears necessary to bring about a more satisfactory functioning of this work at your bank. In this connection reference is made to the Board's letters of July 29 and August 28, 1936."

Approved unanimously.

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

"This refers to your letter of December 10, 1936, inclosing a copy of rules and regulations for the operation of branches of the Federal Reserve Bank of San Francisco to be substituted for the by-laws now governing the operation of these branches. You request the Board's approval in time to make these rules and regulations effective on January 1, 1937.

"In addition to the proposed change from 'by-laws' to 'rules and regulations', it is noted that certain other changes are contemplated by the revised rules, including the addition of a statement that the rules and regulations are issued and approved by the Board of Governors. In its telegram to you under date of August 27, 1936, the Board approved certain amendments to the by-laws of the branches of your bank. It was also stated therein that several questions which have recently arisen regarding the by-laws of branches of all Federal Reserve banks have suggested the advisability of a review of the entire subject of by-laws of branches, and that the Board expected to make such a review in order to bring about such changes as may seem desirable. A review of this subject is now in progress but, as it is necessary to give consideration in this connection to the existing by-laws of all branches, it has not yet been completed. In the cir-

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"cumstances, it is believed to be desirable, if practicable, that your bank continue to operate its branches under their now existing by-laws until the review of this matter is completed. Accordingly, the Board does not approve at this time the rules and regulations inclosed with your letter of December 10, 1936, but will give consideration to them in its study of the subject of by-laws of branches of Federal Reserve banks. If any specific amendments to the existing by-laws of your branches are needed by virtue of special circumstances, the Board will, of course, be glad to give consideration to them."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morier
Secretary.

Approved:

W. S. ...
Chairman.