

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 30, 1936, at 2:45 p. m.

PRESENT: Mr. Eccles, 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

There was presented a telegram just received from Mr. Walsh, Chairman and Federal Reserve Agent at Dallas, stating that Mr. Frank M. Hayner, to whom the Board had tendered appointment as a director of the El Paso branch, is a director of the Central Bank for Cooperatives of Washington, D. C., and Vice President of the First National Bank of Las Cruces, Texas, but that if these offices do not conflict with his appointment as a director of the El Paso branch he would be glad to accept such appointment.

The Secretary was requested to advise Mr. Walsh that in order for Mr. Hayner to qualify for appointment under paragraph 2 of the Board's regulation with regard to the appointment of directors of branches of Federal reserve banks it would be necessary for him to relinquish his connection as Vice President of the First National Bank and otherwise conform to the Board's regulation.

In connection with a further discussion of the procedure to be followed by the Board in connection with the selection of individuals

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for appointment as directors of Federal reserve banks and branches it was understood that whenever the members of the Board, when visiting the Federal reserve banks, or through contacts made in other ways, meet or hear of individuals who appeared to be desirable prospects for appointment as class "C" directors of Federal reserve banks or directors of branches, they would obtain such information as may be available regarding such persons and submit it to the Personnel Committee for consideration in connection with the recommendations of the Committee to the Board. It was also understood that about the middle of the year the Secretary's Office would furnish to all members of the Board a revised list of all vacancies in class "C" and branch directorships to be filled by appointment by the Board which would occur at the end of the year so that the members of the Board may have such vacancies in mind in looking for desirable appointees.

There was presented a draft of a telegram to Mr. Burke, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Cleveland, prepared in accordance with the action taken at the meeting on December 28, 1936, and reading as follows:

"Board has designated you as Chairman and Federal Reserve Agent at Federal Reserve Bank of Cleveland for year 1937 on honorarium basis and has fixed your compensation for your services as Chairman and Federal Reserve Agent, to be paid by the bank, at the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to yours at meetings of the board of directors, executive committee and other committees of the board of directors. Compensation for Chairmen and Federal Reserve Agents at all Federal reserve banks has been

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"fixed by Board on uniform basis and whether you will accept compensation on this basis or continue, as at present, to accept no compensation for your services is a matter concerning which you should feel entirely free to exercise your own discretion. It will be appreciated if you will advise by wire of your acceptance of designation. Also please advise by wire names of those you wish to appoint as Assistant Federal Reserve Agent or Alternate Assistant Federal Reserve Agent at bank for coming year."

Approved unanimously.

Consideration was then given to the recommendations of the Personnel Committee with respect to the budget of expenditures of the Board for the year 1937 and for changes in salaries of members of the staff for the coming year. The budget had been discussed and the recommendations of the heads of the respective divisions of the Board's staff had been reviewed in detail by the Personnel Committee, and the proposed budget and salary adjustments as recommended by the Personnel Committee had been discussed at an informal meeting of the Board this morning.

After a further discussion, the recommendations of the Personnel Committee were approved as follows:

Salaries of members of the Board's staff were increased in the amounts shown below, effective January 1, 1937:

BOARD MEMBERS OFFICES:

		<u>From</u>	<u>To</u>
Lawrence Clayton	Assistant to the Chairman	\$12,000	\$15,000
Elliott Thurston	Special Assistant to the Chairman	12,000	13,000
L. G. Ficks	Secretary to Mr. Broderick	3,000	3,200
Carol S. Piper	Secretary to Mr. Davis	2,800	3,000
Victrin M. Taylor	Stenographer	2,000	2,200
Madeleine E. Benton	Secretary to Mr. Thurston	1,980	2,100
	(Miss Benton's designation was changed from "Stenographer" to "Secretary to Mr. Thurston", effective January 1, 1937.)		
Frederica G. Ritter	Secretary to Mr. Clayton	1,740	1,920
	(Miss Ritter's designation was changed from "Stenographer" to "Secretary to Mr. Clayton", effective January 1, 1937.)		

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BOARD MEMBERS OFFICES: (Cont'd)

		<u>From</u>	<u>To</u>
Beverly A. Carter	Messenger	\$1,600	\$1,720
Ernest Marlowe	Messenger	1,320	1,500

(The transfer, effective January 1, 1937, from the payroll of the Secretary's office to the Board Members' payroll by assignment to the offices of Messrs. Szymczak, McKee, Davis and Ransom of messengers F. L. Frost, Ernest Marlowe, William H. Drake, and Sidney Washington, respectively, and a change in designation of Beverly A. Carter from "messenger-clerk" to "messenger", was approved).

SECRETARY'S OFFICE:

L. P. Bethea	Assistant Secretary	\$7,300	\$8,000
S. R. Carpenter	Assistant Secretary	5,000	7,000
Yvonne Dodd	Secretary to Mr. Morrill	2,500	2,700
Phyllis E. Stewart	Secretary to Mr. Noell	2,500	2,700
J. Edward Kilgore	Administrative Assistant	2,400	2,700
Eleanor K. Anderson	File Clerk	1,860	1,920
John C. Brennan	Secretary to Mr. Bethea	1,800	2,000
D. Jeanne Krieger	Stenographer	1,800	2,000
Sarah L. Brissenden	Secretary to Mr. Carpenter	1,740	1,860

(Miss Brissenden's designation was changed from "Stenographer" to "Secretary to Mr. Carpenter", effective January 1, 1937)

Frank H. Crimes, Jr.	Index Clerk	1,720	1,800
Scott D. Kellogg	File Clerk	1,620	1,740
John N. Kiley, Jr.	File Clerk	1,620	1,740
Mildred F. Smith	Stenographer	1,620	1,800
John F. Cassil	Order Clerk	1,380	1,600

(Mr. Cassil's designation was changed from "File Clerk" to "Order Clerk", effective January 1, 1937)

Louise Thomason	Typist	1,380	1,440
Dorothy M. Parkhill	Stenographer	1,320	1,500
Walter L. Peregory	Supply Clerk	1,260	1,320
Warren Kidwell	Messenger, Telegraph Office	1,080	1,200
John M. Costello	Messenger, Telegraph Office	1,020	1,080
John M. Poundstone	Messenger, Telegraph Office	840	1,080
William E. Pinn	Messenger	960	1,020
Robert H. Jones	Messenger	840	960

The following file clerks were transferred from the divisions shown opposite

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their names to the Office of the Secretary,
effective January 1, 1937:

Rose D. Root	Division of Examinations
Alice E. Kidwell	Division of Examinations
Bernice O'Brien	Division of Examinations
Eleanor K. Anderson	Division of Bank Operations
Maria D. Miles	Division of Bank Operations
Esther G. Crews	Division of Bank Operations

OFFICE OF GENERAL COUNSEL:

		<u>From</u>	<u>To</u>
J. P. Dreibelbis	Assistant General Counsel	\$8,500	\$9,000
Joseph T. Owens	Assistant Counsel	5,500	6,000
John C. Baumann	Assistant Counsel	5,500	6,000
S. Earl Seitz	Assistant Counsel	3,800	4,200
Frederic Solomon	Assistant Counsel	3,600	4,200
Howard H. Hackley	Law Clerk	3,000	3,300
Wilson L. Hooff	Law Clerk	2,700	3,000
Mildred W. Dyas	Law Clerk	2,000	2,200
Mabel Goepfert	Secretary	2,000	2,100
Everett Enriken	Law Clerk	2,000	2,100
Grace L. Costinett	Stenographer	1,900	1,960
Richard A. Hill	Stenographer	1,680	1,740
Nadine Gallagher	Stenographer	1,620	1,740
Helen V. Dolan	Stenographer	1,620	1,740

DIVISION OF EXAMINATIONS:

R. F. Leonard	Assistant Chief	\$9,500	\$10,000
C. E. Cagle	Assistant Chief	8,000	8,500
H. O. Koppang	Federal Reserve Examiner	5,800	6,000
R. B. Chamberlin	Federal Reserve Examiner	5,800	6,000
F. A. Nelson	Federal Reserve Examiner	5,200	5,300
C. C. Hostrup	Federal Reserve Examiner	5,000	5,100
E. L. Brien	Federal Reserve Examiner	4,800	4,900
L. H. Jones	Federal Reserve Examiner	4,800	4,900
C. T. Malone	Federal Reserve Examiner	4,800	4,900
G. M. Conkling	Federal Reserve Examiner	4,500	4,600
G. M. Goodman	Federal Reserve Examiner	4,500	4,600
J. R. Radford, Jr.	Federal Reserve Examiner	4,200	4,300
W. J. McClelland	Federal Reserve Examiner	4,000	4,200
P. J. Winkler	Federal Reserve Examiner	4,000	4,200
G. H. Folsom	Federal Reserve Examiner	3,300	3,500

(Mr. Folsom's designation was changed
from "Assistant Federal Reserve Ex-
aminer" to "Federal Reserve Examiner",
effective January 1, 1937)

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DIVISION OF EXAMINATIONS: (Cont'd)

		<u>From</u>	<u>To</u>
Marguerite C. Maynard	Secretary to Mr. Paulger	\$2,600	\$2,700
Edward S. Myers	Stenographer	2,000	2,100
Julia B. Hopkins	Assistant Federal Reserve Examiner	1,900	2,000
Harold F. Stone	Stenographer	1,800	1,900
A. B. Brown	Stenographer	1,740	1,800
Natalie Boiseau	Stenographer	1,700	1,800
Marion Goshorn	Stenographer	1,680	1,800
Elnyr Newcome	Stenographer	1,680	1,760
Nancy Porter	Stenographer	1,620	1,680
Helene Kearney	Stenographer	1,600	1,680
A. Frances Scott	Stenographer	1,600	1,660

FIELD EXAMINERS

E. R. Millard	Federal Reserve Examiner	5,500	6,000
W. G. Brown	Federal Reserve Examiner	3,900	4,000
	(Mr. Brown's designation was changed from "Assistant Federal Reserve Examiner" to "Federal Reserve Examiner", effective January 1, 1937)		
S. L. Brown	Federal Reserve Examiner	3,600	3,700
	(Mr. Brown's designation was changed from "Assistant Federal Reserve Examiner" to "Federal Reserve Examiner", effective January 1, 1937)		
H. J. Newman	Assistant Federal Reserve Examiner	3,200	3,300
J. A. Turnbull	Assistant Federal Reserve Examiner	3,000	3,200
G. R. Murff	Federal Reserve Examiner	3,000	3,300
	(Mr. Murff's designation was changed from "Assistant Federal Reserve Examiner" to "Federal Reserve Examiner", effective January 1, 1937)		
T. P. Howard	Assistant Federal Reserve Examiner	2,700	2,800
F. W. Troup	Assistant Federal Reserve Examiner	2,600	2,700
J. F. English	Assistant Federal Reserve Examiner	2,600	2,700
C. A. Strahorn	Assistant Federal Reserve Examiner	2,200	2,300
J. C. Franzoni	Assistant Federal Reserve Examiner	2,200	2,300

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FIELD EXAMINERS: (Cont'd)

		<u>From</u>	<u>To</u>
R. T. Snow	Assistant Federal Reserve Examiner	\$1,800	\$2,000
J. T. Boysen	Assistant Federal Reserve Examiner	1,700	1,800
T. B. O'Donnell	Assistant Federal Reserve Examiner	1,700	1,800

DIVISION OF BANK OPERATIONS:

J. R. Van Fossen	Assistant Chief	\$8,000	\$8,500
J. E. Horbett	Assistant Chief	6,800	7,500
L. S. Myrick	Technical Assistant	5,600	6,200
C. B. Hammond	Technical Assistant	5,000	5,400
J. H. Porter	Technical Assistant	3,900	4,200
Mortimer B. Daniels	Technical Assistant	3,800	4,100
David M. Kennedy	Clerk	3,200	3,600
F. A. Walker	Clerk	2,600	2,700
John R. Farrell	Clerk	2,400	2,700
Jewell B. Smith	Secretary	2,000	2,100
Helen C. Roome	Comptometer Operator	1,800	1,900
Avelyn Buchanan	Secretary	1,440	1,620
Margaret M. Kroh	Comptometer Operator	1,440	1,560
Beatrice S. McLelland	Comptometer Operator	1,320	1,440
Arthur C. Williams	Messenger	960	1,020

Changes in the designation of certain members of the staff of the Division of Bank Operations were made as follows, effective January 1, 1937:

From "Federal Reserve Examiner" to "Technical Assistant"
J. H. Porter

From "Federal Reserve Bank Clerk" to "Clerk"
John DeLaMater A. A. Moore
Dilver Scudder Merret P. Caskey
John R. Farrell Thelma C. Millican
Flora S. Devereux

From "Member Bank Clerk" to "Clerk"
David M. Kennedy O. B. Morrisette
W. H. Mitchell F. A. Walker
John J. Hurley Marjorie F. Jones

From "Interdistrict Settlement Fund Clerk" to "Clerk"
William N. Baldwin
Harry B. Stone
Robert E. Sherfy

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DIVISION OF BANK OPERATIONS: (Cont'd)From "Stenographer" to "Secretary"

Laura Weihe
Avelyn Buchanan

From "Stenographer" to "Typist (stencil cutter)"

Mary C. Williams

From "Clerk-Typist" to "Typist (stencil cutter)"

F. J. Callahan

DIVISION OF RESEARCH AND STATISTICS:

		<u>From</u>	<u>To</u>
George W. Blattner	Assistant Director	\$7,000	\$7,200
Walter R. Gardner	Senior Economist	7,000	7,200
Frank R. Garfield	Senior Economist	5,600	6,000
Susan Burr Litchfield	Senior Economist	5,200	5,400
Leroy M. Piser	Senior Economist	4,200	4,600
Chandler Morse	Senior Economist	3,700	4,000
Maxwell R. Conklin	Senior Economist	3,600	3,800
Victor M. Longstreet	Senior Economist	3,600	3,800
Wendell E. Thorne	Junior Economist	3,500	3,600
Beatrice Bulla	Junior Economist	3,400	3,500
Elsie Rackstraw	Librarian	3,400	3,500
John O. Bergelin	Junior Economist	3,100	3,300
A. B. Hersey	Junior Economist	3,100	3,300
Roland I. Robinson	Junior Economist	3,100	3,300
Alvern H. Sutherland	Assistant Librarian	2,900	3,100
Frederick C. Dirks	Junior Economist	2,800	2,900
H. C. Barton, Jr.	Junior Economist	2,600	2,900
George Paul Doherty	Junior Economist	2,600	2,900
Gunhild A. Kenny	Junior Economist	2,600	2,900
Louise Sissman	Junior Economist	2,600	2,700
Dorothy R. Deeds	Secretary	2,300	2,400
Raymond J. Collier	Economic Assistant	2,200	2,300
Helene F. Baur	Clerk	2,100	2,200
Helen R. Dyer	Library Assistant	2,100	2,200
Caroline Hammill	Secretary	2,100	2,200
Helen Vincent	Clerk	2,100	2,200
Katharyne W. Perry	Economic Assistant	2,000	2,200
Ruth H. Reehling	Clerk	2,000	2,100
Alice M. Taylor	Clerk	2,000	2,100
Ella W. Henry	Draftsman	1,900	2,000
Ruth Jones	Secretary	1,900	2,000
Rosa Ernst	Economic Assistant	1,800	1,920
Julia Haigh	Secretary	1,800	1,900
Eleanor Myer	Secretary	1,800	1,900

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DIVISION OF RESEARCH AND STATISTICS: (Cont'd)

		<u>From</u>	<u>To</u>
Harvey A. Robinson	Library Assistant	\$1,800	\$1,900
Edith B. Ruch	Clerk	1,800	1,920
Lyndall H. Coffey	Clerk	1,680	1,780
Ethel L. Evans	Clerk	1,680	1,780
Jean G. Martz	Clerk	1,680	1,780
Mavis B. Nergard	Clerk-Stenographer	1,680	1,780
Neva E. Rott	Secretary	1,680	1,780
Grace R. Sahn	Draftsman	1,680	1,780
Lois A. Williams	Secretary	1,680	1,780
Caroline M. Burgess	Library Assistant	1,560	1,660
William A. Kline	Assistant Printing Clerk	1,560	1,800
Helen Olmstead	Secretary	1,560	1,660
Lucille Barnett	Clerk	1,440	1,540
Eleanor M. Esser	Library Assistant	1,440	1,540
Cherie L. Hoebreckx	Clerk	1,440	1,540
Rose E. Hubacher	Secretary	1,440	1,540
Jane Wenger	Clerk	1,440	1,540
Mary White	Clerk	1,440	1,540
Norma F. Wills	Secretary	1,440	1,680
Raymond VanBrakle	Messenger	960	1,020

TEMPORARY APPOINTMENT

Horace F. Drury	Clerk	600	800
		(half time)	(half time)

Changes in the designation of certain members of the staff of the Division of Research and Statistics were made as follows, effective January 1, 1937:

From "Research Assistant" to "Senior Economist"

Walter R. Gardner	Leroy M. Piser
Frank R. Garfield	Maxwell R. Conklin
George Terborgh	Victor M. Longstreet
Susan Burr Litchfield	

From "Research Assistant" to "Junior Economist"

Wendell E. Thorne	A. B. Hersey
Beatrice Bulla	Roland I. Robinson
John O. Bergelin	H. C. Barton, Jr.

From "Junior Research Assistant" to "Senior Economist"

Chandler Morse

From "Junior Research Assistant" to "Junior Economist"

Frederick C. Dirks	Henry Edmiston
George Paul Doherty	Martin Krost
Gunhild A. Kenny	Clayton Gehman

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DIVISION OF RESEARCH AND STATISTICS: (Cont'd)From "Research Clerk" to "Junior Economist"

Margaret Ellis
 Louise Sissman
 Mary Sibley Evans

From "Statistical Clerk" to "Economic Assistant"

Raymond J. Collier
 Katharyne W. Perry
 Mary M. Maroney

From "Stenographer" to "Economic Assistant"

Rosa Ernst

From "Statistical Clerk" to "Clerk"

Helene F. Baur	Ethel L. Evans	Elizabeth P. Tappy
Helen Vincent	Jean G. Martz	Joseph Silverman
Alice M. Taylor	Jane Wenger	Constance Seals
Edith B. Ruch	Mary White	Eleanor J. Stockwell
Lyndall H. Coffey	Viola A. Hodson	

From "Stenographer" to "Secretary"

Caroline Hammill	Lois A. Williams
Ruth Jones	Helen Olmstead
Julia Haigh	Rose E. Hubacher
Neva E. Rott	Norma F. Wills

From "Statistical Clerk" to "Clerk-Stenographer"

Mavis B. Nergard

From "Printing Clerk" to "Assistant Printing Clerk"

William A. Kline

From "Library Clerk" to "Library Assistant"

Harvey A. Robinson
 Caroline M. Burgess

From "Stenographer-Librarian" to "Library Assistant"

Helen R. Dyer

From "Draftsman" to "Chief Draftsman"

Nora V. Elder

TEMPORARY APPOINTMENTSFrom "Junior Research Assistant" to "Economic Assistant"

Robert D. Fenn

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TEMPORARY APPOINTMENTS: (Cont'd)

From "Statistical Clerk" to "Clerk"
Catherine M. Counts

From "Comptometer Operator" to "Clerk"
Alice Swindlehurst

DIVISION OF SECURITY LOANS:

		<u>From</u>	<u>To</u>
Philip E. Bradley	Assistant Chief	\$7,000	\$7,500
Earle W. English	Special Assistant	5,000	5,200
Lewis N. Dembitz	Research Assistant	3,000	3,300
Vladimir B. Grinioff	Research Assistant	2,000	2,300
Florence C. O'Hare	Secretary	2,100	2,200
Catherine L. Schmidt	Secretary	1,560	1,680
Otto H. Branich	Messenger	1,020	1,080

(The designation of Miss Catherine A. Hall was changed from "Statistical Clerk" to "Economic Assistant", effective January 1, 1937)

Salaries of members of the staff were decreased in the amounts shown below, effective January 1, 1937:

DIVISION OF BANK OPERATIONS:

John DeLaMater	Clerk	\$4,800	\$4,000
Merret P. Caskey	Clerk	2,900	2,400

The following proposed budget for the year 1937, which includes personal services adjusted in accordance with the salary changes set forth above, was approved unanimously:

Personal services: \$1,090,543.00

Non-personal services:

Supplies & Materials	\$ 12,300.00	
Subsistence Expenses	56,972.00	
Transportation Expenses	28,900.00	
Communication Service	73,745.00	
Prtg., Engr., Bindg., Etc.	36,105.00	
Rent - Building	98,704.00	
Rent - Equipment	33.00	
Equipment	13,700.00	
Repairs - Equipment	1,285.00	
Special & Miscellaneous	3,680.00	
Retirement Contributions	<u>131,148.72</u>	
		<u>456,572.72</u>
		\$1,547,115.72

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Memorandum dated December 30, 1936, from Mr. Foulk, Fiscal Agent, recommending that an assessment of seven hundred and twenty three thousandths of one per cent (.00723) of the total paid-in capital and surplus (Section 7 and Section 13b) of Federal reserve banks as of the close of business December 31, 1936, be levied to cover the expenses of the Board during the first six months of 1937, and \$1,423,680.00 to be applied to the cost of completing the Board's new building; the latter amount to be paid by the banks at such times and in such amounts as the Board may call during the six months period.

The following resolution levying an assessment in accordance with the Fiscal Agent's recommendation was approved unanimously:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, contains the following provisions:

'The Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and such assessments may include amounts sufficient to provide for the acquisition by the Board in its own name of such site or building in the District of Columbia as in its judgment alone shall be necessary for the purpose of providing suitable and adequate quarters for the performance of its functions. After approving such plans, estimates, and specifications as it shall have caused to be prepared, the Board may, notwithstanding any other provision of law, cause to be constructed on the site so acquired by it a building suitable and adequate in its judgment for its purposes and proceed to take all such steps as it may deem necessary or appropriate in connection with the construction, equipment, and furnishing of such building. The Board may maintain, enlarge, or remodel any building so acquired or constructed and shall have

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"sole control of such building and space therein.

* * * * *

'The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, * * * and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys.'

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System for the six months period beginning January 1, 1937, and of the amounts which in the judgment of the Board may be needed during such period to provide for the costs, or part thereof, of the erection of a building suitable and adequate for the Board's quarters, that it is necessary that a fund equal to seven hundred twenty-three thousandths of one per cent (.00723) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, That:

"(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to seven hundred twenty-three thousandths of one per cent (.00723) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business December 31, 1936.

"(2) Seventeen and six-tenths per cent of such assessment shall be paid in on January 2, 1937, seventeen and six-tenths per cent thereof shall be paid in on March 1, 1937, and the remainder (sixty-four and eight-tenths per cent) shall be paid at such times and in such amounts as the Board may call for the payment thereof during such six months period beginning January 1, 1937.

"(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amounts specified for transfer on January 2 and March 1 through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the Board's Special Fund Account on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit. The remainder of the assessment shall be paid at such times and in such amounts as the Board may call for the payment thereof during the six-months' period by transferring the amount

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"called through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the Board of Governors of the Federal Reserve System - Building Account, on the books of that bank. The Federal Reserve Bank of Richmond shall pay its assessment by crediting to the proper accounts on its books on the dates stated the amounts specified above."

At this point Mr. Smead, Chief of the Division of Bank Operations, joined the meeting.

In connection with the approval of the budget, there was a discussion of the item provided for therein to cover retirement contributions to be paid by the Board on behalf of its employees during the year 1937, and reference was made particularly to the existing arrangement, agreed upon by the Federal reserve banks and the Board, that the liability for prior service of employees will be discharged entirely by the close of 1939. Chairman Eccles suggested that the reason for the large retirement payments during 1936 should be clearly explained in the Board's Annual Report, and Mr. McKee suggested that during 1937 consideration should be given to the question whether the present arrangement should be continued, particularly during the years when the earnings of the Federal reserve banks are low, and whether a recommendation should be made to the Board of Trustees of the Retirement System of the Federal Reserve Banks that it consider at its next meeting the advisability of providing for the discharge of the remaining prior service liability in smaller annual amounts during years of low earnings and in larger amounts during years of more satisfactory earnings.

Consideration was then given to a telegram just received by

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Mr. Broderick from President Fleming of the Federal Reserve Bank of Cleveland, suggesting that in connection with the approval of the application of the Monongahela Trust Company, Homestead, Pennsylvania, the Board do not prescribe the condition that within one year the bank shall dispose of its direct or indirect ownership of the stock of the First National Bank of Homestead and of the Hays National Bank of Hays, Pennsylvania. The telegram also inquired whether, if the Board's policy on this matter could not be modified, it would be possible to waive compliance with the condition for an indefinite period.

After discussion, the Secretary, by unanimous vote, was requested to advise President Fleming by telegraph as follows:

"Your wire to Broderick regarding Monongahela Trust Company was considered at Board meeting. Condition of membership numbered 9 was not based on any criticism of that Trust Company or its subsidiary banks. Board appreciates circumstances described in your wire but feels that condition numbered 9 is justified as a matter of sound general policy in connection with the admission of State banks to membership in Federal Reserve System. Board therefore does not feel that it should waive compliance with condition numbered 9 for an indefinite period. However, for your own information, it may be stated that if it should develop that notwithstanding the efforts of the Trust Company to comply with requirements of the condition by the end of the year specified it has not been able to do so Board would be inclined to consider favorably a request for a reasonable extension of time."

Mr. Broderick called attention to a memorandum addressed to the Board by Mr. Smead on December 30, 1936, recommending that the Board approve (1) the request of the Federal Reserve Bank of Philadelphia for authority to transfer approximately \$65,000 to the bank's reserve for losses and contingencies to restore such reserve after having charged

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against it a loss of that amount in connection with a sale of assets acquired from the Guarantee Trust Company, Atlantic City, New Jersey, and (2) the requests of the Federal Reserve Banks of Atlanta and San Francisco for authority to transfer the estimated amount of net earnings after payment of dividends, approximately \$115,000 and \$132,000, respectively, to losses not elsewhere provided for.

Upon motion by Mr. Broderick, Mr. Smead's recommendations were approved unanimously.

Mr. Broderick referred to the request contained in the Board's letter of November 23, 1936, X-9746, that the board of directors of each Federal reserve bank advise the Board of Governors at the earliest practicable date as to any adjustments that it contemplates making in salaries of officers of the bank for the year 1937. He stated that all of the Federal reserve banks except Boston had submitted the desired information and, in order that the boards of directors of the respective banks may be advised of the Board's attitude regarding proposed changes in officers' salaries before their meetings in January, the changes should be considered by the Board as promptly as possible.

It was agreed that Mr. Smead should furnish each member of the Board with a memorandum showing the proposed changes in official salaries and that the matter would be considered at a meeting of the Board to be held on Monday, January 4, 1937, at 2:30 p. m.

At this point Mr. Smead left the meeting and consideration was then given to each of the matters hereinafter referred to and the

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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 29, 1936, were approved unanimously.

Telegram to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, 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 29, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. George Jaszi as an economic assistant in the Division, with salary at the rate of \$2,000 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Telegram to President Fleming of the Federal Reserve Bank of Cleveland, reading as follows:

"Your letter December 26. Board approves appointment of John William Cavanaugh as assistant examiner for the Federal Reserve Bank of Cleveland. Please advise effective date."

Approved unanimously.

Memorandum dated December 29, 1936, from Mr. Broderick submitting the report received from the Federal Reserve Bank of Boston cover-

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ing the survey made by the bank of its operations and organization pursuant to the Board's letter of March 25, 1936, X-9532, as well as a draft of letter to President Young, reading as follows:

"The Board has reviewed the information submitted with your letter of December 26, 1936, in connection with the survey of operations of the Federal Reserve Bank of Boston.

"In the Board's letter of March 25, 1936, it was stated that the Board had in mind a procedure looking toward the placing of the chairmanship largely upon an honorary basis with the thought that the ministerial duties with respect to the issuance of Federal Reserve notes and the holding in custody of collateral therefor would actually be performed by Assistant Federal Reserve agents who would be experienced in such work and who would receive salaries commensurate with the duties and responsibilities to be assumed. In this connection, there is attached a copy of a letter to Mr. Walsh, Federal Reserve Agent at Dallas, with respect to the duties to be performed by him as Chairman and Federal Reserve agent on an honorary basis. The Board would expect the principles and procedure set forth in the letter to Chairman Walsh to be followed at all Federal Reserve banks.

"The Board's letter of March 25, 1936, also stated that the procedure contemplated would result in the transfer of the bank examination work and the research work, heretofore handled by the Federal Reserve agents, to the banking departments with the understanding, however, that such functions would, as heretofore, be conducted under the general supervision of the Board of Governors.

"In order to acquaint you more fully with the conditions under which it is contemplated that the examination and research work will be transferred to the banks, these conditions are set forth below in general terms. With respect to the examination function, the plan contemplates that:

1. All appointments of examiners at the Federal Reserve banks will continue to be subject to the approval of the Board of Governors.
2. The examination department will continue as a separate unit.
3. The examination department will be under the supervision of a Vice President to be designated by the bank after consultation with the Board.
4. The budget for this function will be subject to advance approval of the Board of Governors.

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"The Vice President in charge of examinations will be designated as an examiner for the Federal Reserve bank and the Board would expect that official to be responsible directly to the president of the bank and not to another Vice President or other officer. The Board notes with approval the proposed plan to place the bank examination department under the general supervision of First Vice President Paddock and approves also the designation of that official as an examiner for the Federal Reserve Bank of Boston. The Board approves, at his present salary of \$7,000 per annum, the appointment of Mr. W. D. McRae as Chief Examiner in the bank examination department after the transfer of that department from the Federal Reserve agent to the bank.

"While it is expected that the President will keep himself informed of the activities and policies of the examination department, it is contemplated that correspondence, other than that relating to policy matters, would be carried on by the Board and its staff directly with the Vice President in charge of examinations. This procedure would be similar to that generally followed with respect to other correspondence about routine operating matters.

"After the transfer is made the Board will expect that the present policy of decentralization of examination work under the ultimate responsibility of the Board will continue, that the examination work will be conducted by the Federal Reserve banks under the general policies adopted by the Board, and that general supervision of the examination work of the System as a whole will continue to be exercised by the Board's Division of Examinations.

"In the past the Federal Reserve agent's department has had custody of the reports of examinations made by the various agencies, which reports have been made available to certain officers of the bank and to certain designated employees in the Credit and Discount and other departments of the bank. When the bank examination department is transferred to the Federal Reserve bank instructions should be issued providing that the bank examination department will continue to have custody of reports of examinations, and proper safe-guards should be established in order to preserve the confidential character of such information and to insure that the reports will be made available to officers or employees of other departments only when justified in the performance of their duties.

"The principles to govern the operations of the research and statistical organizations after their transfer from the agent's department to the bank are outlined in the following paragraphs which supersede those transmitted with the Board's letter of August 11, 1926, X-4646.

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"Scope and purpose The purpose of the work of the research and statistical divisions of the Federal Reserve banks is to collect and digest information bearing on the problems with which the Federal Reserve System is confronted, either as a matter of current operation or as the basis of Federal Reserve policies.

"These divisions should provide a necessary service to the officials of the banks and to the Board of Governors of the Federal Reserve System and should also be useful to the general public. Owing to the joint usefulness of these services the Board expects its Division of Research and Statistics to keep in close touch with the activities of similar departments at the Reserve banks, and expects full cooperation in the System's work in this field.

"When a new project in the research and statistical field is in contemplation at a Reserve bank it should be worked out in cooperation with the Board's Director of Research and Statistics, except as to projects of small scope which involve no considerable expense. From time to time the Director of the Board's Division of Research and Statistics may find it necessary to request the cooperation of one or more Federal Reserve banks on research studies.

"Publications The Board wishes to continue the present practice under which all publications of the Federal Reserve banks dealing with matters of more than local interest are submitted to the Board of Governors and issued only with the approval of the Board.

"Budget and personnel The budget of the statistical and analytical function should continue to be subject to the advance approval of the Board and all appointments of persons to supervisory positions in the statistical and analytical function should be subject to the approval of the Board. The Board would expect the person in charge of the research and statistical functions to report directly to the President of the bank and not to a Vice President or other officer.

"It is further contemplated that any work heretofore handled by the Federal Reserve agents in connection with administration of the Securities Exchange Act of 1934 will also be transferred to the banking department with the understanding that this work, like the examination work and the research work, will, as heretofore, be conducted under the general supervision of the Board of Governors. The conditions of transfer contemplated by the plan do not include any specifications as to whether the reserve bank shall have a separate unit for doing this work, but it is expected that all appointments or

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"assignments of persons to supervisory positions in handling this work at each Federal Reserve bank will be subject to the approval of the Board of Governors.

"With respect to the statutory duties of the Federal Reserve agent, the Board will appoint, upon the recommendation of Federal Reserve Agent Curtiss, an Assistant Federal Reserve agent and one or more alternate Assistant Federal Reserve agents whose primary duties will be in connection with the issuance and retirement of Federal Reserve notes and the custody of collateral therefor. When the Assistant Federal Reserve agent and alternates are not engaged in work connected with the issuance and retirement of Federal Reserve notes it is assumed that, with the authorization of the Federal Reserve agent and the approval of the President, they will perform other work in the bank which is not inconsistent with their duties as Assistant Federal Reserve agent and alternates, respectively.

"It is not expected that the Assistant Federal Reserve agent will be charged with responsibility under section 30 of the Banking Act of 1933. The Vice President in charge of examinations should be charged with the responsibility of keeping the Federal Reserve agent advised of violations of law by directors and officers of State member banks and of unsound banking practices in order to enable the Federal Reserve agent to comply with the requirements of that section regarding the issuance of warnings to the directors and officers involved and the certification of facts in such cases to the Board of Governors.

"Please advise the Board of the effective date of the transfer of the examination and research work to the bank."

The proposed letter was approved unanimously, together with a letter to Federal Reserve Agent Curtiss, reading as follows:

"In connection with the proposed transfer of the non-statutory functions of the Federal Reserve Agent to the bank, it will be appreciated if you submit to the Board for approval the name of someone to serve as Assistant Federal Reserve agent after such transfer has been effected, as well as one or more individuals to serve as Alternate Assistant Federal Reserve agents in the absence of the Assistant Agent.

"As you were advised in the Board's telegram of June 23, 1936 (Trans 2406), Assistant Federal Reserve agents appointed after the transfer of the nonstatutory duties of the Agent to the bank should be careful and conscientious persons of unquestioned integrity, competent to handle all work in connection

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"with the issuance and retirement of Federal Reserve notes. The primary duties of the Assistant Federal Reserve agent should be those connected with the issuance and retirement of Federal Reserve notes, and when not engaged in such work he will be expected to perform, with the authorization of the Federal Reserve agent and the approval of the President, other work in the bank which is not inconsistent with his duties as Assistant Federal Reserve agent.

"There is attached for your information a copy of a letter which has today been sent to President Young regarding the transfer of the nonstatutory functions of the Federal Reserve agent to the bank, and a copy of a letter to Mr. Walsh, Federal Reserve Agent at Dallas, with respect to the duties to be performed as Chairman and Federal Reserve Agent on an honorary basis."

Telegram to Mr. George T. Ladd, President of the United Engineering and Foundry Co., Pittsburgh, Pennsylvania, reading as follows:

"Board of Governors has appointed you director of Pittsburgh Branch of Federal Reserve Bank of Cleveland for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System has learned with regret from your telegram of December 28 of the loss sustained by your board of directors in the recent death of Mr. A. B. C. Dohrmann, one of the class 'B' directors of your bank.

"It will be appreciated if you will express to Mr. Dohrmann's family the deep sympathy of the members of the Board of Governors."

Approved unanimously.

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Relet December 24, 1936 Board extends to March 2, 1937

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"the time within which 'Citizens Bank & Trust Company', Carthage, Tennessee, may withdraw from membership in the System."

Approved unanimously.

Telegram to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with your recommendation, the Board will interpose no objection to the merger of Bank of Aspinwall, Aspinwall, Pennsylvania, and Mt. Lebanon Bank, Mt. Lebanon, Pennsylvania, with 'Commonwealth Trust Company of Pittsburgh', Pittsburgh, Pennsylvania, under the terms outlined in your letter of December 19, 1936, provided the merger is approved by the appropriate State authorities and your counsel is of the opinion that the proceedings in connection therewith are legally effective and is satisfied that the transaction will result in no change which will affect the status of the Commonwealth Trust Company of Pittsburgh as a member of the Federal Reserve System. Please furnish Board with copy of opinion of your counsel given in this connection.

"The Board approves the establishment and operation by the Commonwealth Trust Company of Pittsburgh of a branch at Aspinwall, Pennsylvania, and Mt. Lebanon, Pennsylvania, respectively, provided the establishment and operation of such branches is approved by the appropriate State authorities.

"It is assumed that, in view of provisions of section 12B(i)(4) of Federal Reserve Act, appropriate notice will be given to Federal Deposit Insurance Corporation and depositors of Bank of Aspinwall and Mt. Lebanon Bank of assumption of deposit liabilities of such banks by Commonwealth Trust Company of Pittsburgh."

Approved unanimously.

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

"Retel December 15 concerning X-9737-a. It is suggested that attention of holding company affiliate be directed to requirement that if it claims credit it must attach to its tax return a supplementary statement setting forth all facts and information upon which its claim for credit is predicated, and that it be advised that, in view of the material differences in the situations of the various holding company affiliates

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"and the difficulties of attempting to anticipate definitely the particular questions that may arise in each case, the Board believes that it is not practicable for it to prescribe in advance the requirements as to particular facts and information which will be needed in order to enable it to make the required certification. If credit is claimed by holding company affiliate in its tax return, Board will make required certification, upon request of Commissioner of Internal Revenue, if, in addition to facts and information set forth in aforesaid supplemental statement, holding company affiliate furnishes such further facts and information, if any, as the Board may deem necessary. Such certification will be made as soon as possible after the Board has had an opportunity to consider all of the pertinent facts and information submitted by the holding company affiliate or obtained by the Board by means of such investigation as it may deem necessary. It will, of course, be Board's policy to cooperate with holding company affiliates in this matter to fullest extent practicable in all the circumstances."

Approved unanimously, together with a letter to the Presidents of all Federal reserve banks, reading as follows:

"For your information and assistance in answering inquiries which you may receive from holding company affiliates in your district, there is inclosed herewith a copy of a telegram recently received from the Federal Reserve Bank of San Francisco, together with a copy of the Board's reply thereto, relating to the tax credit allowed holding company affiliates under the provisions of section 26(d) of the Revenue Act of 1936."

Telegram to the Presidents of all Federal reserve banks, prepared in accordance with the action taken at the meeting on December 28, 1936, and reading as follows:

"Board believes it desirable that statement with respect to earnings and expenses of all Federal Reserve banks combined for year 1936 be given to the press not later than date figures for individual banks are released for publication and accordingly will appreciate it if you will defer issuance of statement for your bank until you receive advice from Board as to date system statement will be released for publication. Such

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"statement will be prepared as soon as possible after January first and copy will be wired you in advance of its release."

Approved unanimously.

Letter to Mr. Harry A. Honker, Lebanon, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of December 22, 1936, in which you express the feeling that the Board should give consideration to lowering the $2\frac{1}{2}\%$ maximum rate which member banks may pay on savings and time deposits.

"The Board does not have under consideration at this time the question of changing the maximum rate of interest which member banks may pay on savings and time deposits under the provisions of Regulation Q. However, the Board has read your letter with full appreciation of the difficulties referred to therein, and will bear them in mind if and when consideration is given to the matter."

Approved unanimously.

Thereupon the meeting adjourned.

C. Lester Morice
Secretary.

Approved:

W. S. [Signature]
Chairman.