

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 11, 1937, at 12:15 p.m.

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

Mr. Morrill, 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 February 10, 1937, were approved unanimously.

Telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, and Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, stating that the Board approves the establishment without change by the respective banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated February 8, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment for a period of three months of Mr. William L. Starr, Jr., as a junior economist in the Division, with salary at the rate of \$250 per month, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

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

"Referring to your letter of February 4, 1937, the Board approves the appointments of Herman J. Drenning, Roelof Ermshaus, Edward B. Keyes, Donald D. Lawrence and Frederick T. Lynch as assistant examiners for the Federal Reserve Bank of New York. The Board also approves the appointment as assistant examiner of Robert L. Sattler, who now holds a commission as examiner.

"Please advise as to the dates these appointments become effective."

Approved unanimously.

Memorandum dated February 9, 1937, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated February 4 from Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, which requested approval of changes in the personnel classification plan of the bank to provide for the new position of "Planner" in the Administration and Service Department with a maximum salary of \$5,000 per annum, and for a reduction in the maximum salary for the position of "Assistant Head" of the Accounting Department from \$4,500 to \$3,600 per annum. The memorandum stated that in addition to the above changes, certain slight revisions had been made in the description of work shown for the position of Manager in the Accounting Department, and recommended that, inasmuch as the proposed changes appeared to be logical, they be approved.

Approved unanimously.

Telegram to Mr. Gilbert, First Vice President of the Federal Reserve Bank of Dallas, reading as follows:

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"In view of information and recommendation contained in your telegram of February 8, 1937, Board today has decided not to require Forney State Bank of Forney, Forney, Texas, to surrender its stock in Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in Federal Reserve System. Board, therefore, hereby rescinds requirement which it has made in this connection in its letter of July 20, 1936, to Forney State Bank of Forney, as modified by Board's telegram to McKinney of August 26, 1936. Board also rescinds authority granted to Federal Reserve Bank of Dallas to cancel Federal Reserve bank stock held by Forney State Bank of Forney. Please advise Forney State Bank of Forney of Board's action, in writing, prior to February 15, 1937, in order that there may be no question as to its membership status, and furnish for Board's records a copy of your advice to such bank."

Approved unanimously.

Letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of February 2, 1937, submitting to the Board the application of the 'Citizens State Bank and Trust Company', Goose Creek, Texas, for permission to retire \$4,400 of its \$40,000 of outstanding capital debentures owned by the Reconstruction Finance Corporation.

"The Board has considered the information submitted, and in view of the circumstances and in accordance with your recommendation, approves the proposed retirement, provided, of course, that the transaction has the approval of the appropriate State authorities."

Approved unanimously.

Letter to "The National Mohawk River Bank of Fonda", Fonda, New York, reading as follows:

"This refers to the resolution adopted on September 14, 1936, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board of Governors of the Federal Reserve System understands that your bank has been discharged or otherwise

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"properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. D. R. Fonville, Secretary-Treasurer, First Federal Savings and Loan Association of Burlington, Burlington, North Carolina, reading as follows:

"Reference is made to your letter of November 25, 1936, to the Board's General Counsel inquiring whether banks which are members of the Federal Reserve System may invest trust funds in shares of Federal savings and loan associations. It is regretted that there has been a delay in replying to your letter.

"There is inclosed for your information a copy of Regulation F of the Board of Governors, which applies to national banks. Your attention is directed particularly to sections 10 and 11 of this regulation which refer to investments of trust funds by such banks. There is no general regulation of the Board with respect to the exercise of trust powers by State member banks although in many cases such banks are subject to special conditions applicable to the exercise of trust powers. The Board does not undertake to prescribe specific investments for trust funds held by either class of banks as this is a matter for the determination of the directors of the fiduciary institution in the exercise of their best judgment, within the limitations of applicable State laws and the terms

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"of the trust instrument or court order under which the funds are held. Accordingly, the Board is not in position to give you any statement which would be of general application as to eligibility of shares of Federal savings and loan associations for investment of trust funds."

Approved unanimously.

Letter to Mr. H. S. Yohe, In Charge, Administration U. S. Warehouse Act, Bureau of Agricultural Economics, Department of Agriculture, reading as follows:

"This refers to your letter of January 11, 1937, inclosing a copy of a manuscript which you intend to submit for publication with regard to field warehousing. We have reviewed this manuscript and have the following suggestions to offer:

"In the second sentence on page 5 it is suggested that the word 'domestic' be omitted from the phrase 'domestic storage of readily marketable staples'. It is also suggested that the third sentence on this page be modified to read as follows:

'And section XI of Regulation A of the Board of Governors requires that a banker's acceptance drawn to finance the storage of readily marketable staples shall be "secured at the time of acceptance by a warehouse, terminal, or other similar receipt conveying security title to such staples, issued by a party independent of the customer".'

"On page 7 the statement is made that 'the Federal Reserve Board has a number of times approved various subsidiary warehousing operations'. While it is true that the Board has in years past stated that warehouse receipts issued in connection with certain subsidiary warehousing operations met the requirements of the Board relating to bankers' acceptances, it has done so only upon certain conditions and with certain qualifications, and it has not uniformly approved subsidiary warehousing arrangements which it has had occasion to consider. In view of these facts and of the possibility that the statement contained in your manuscript may be taken to imply more than is intended, it is hoped that you will omit the statement from the article.

"The quotation from the Board's 1933 ruling on pages 18, 19 and 20 does not include the last paragraph of the ruling as published in the Federal Reserve Bulletin for March, 1933.

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"In order that the statement in your article may be an accurate reflection of the views of the Board as then expressed, it is suggested that the entire ruling be included.

"In view of the fact that the Banking Act of 1935 changed the name of the Federal Reserve Board to Board of Governors of the Federal Reserve System, you may wish to use the term 'Board of Governors of the Federal Reserve System' or 'Board of Governors' wherever the words 'Federal Reserve Board' now appear in your article.

"With the exceptions above indicated, the statements contained in your manuscript with reference to Regulation A and rulings of the Board heretofore made appear to be correct. The Board has not had occasion to express an opinion or take any position with reference to this general subject during the last few years."

Approved unanimously.

Thereupon the meeting adjourned.

Chester H. Brown
Secretary.

Approved:

W. C. C. C.
Chairman.