

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 15, 1937, at 10:00 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, 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 18, 1937, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on February 19, 23, 24, 25, 26, March 1, 2, 3, 4, 5, 10, 11 and 12, 1937, were approved and the actions recorded therein were ratified unanimously.

Renewal bond, in the amount of \$50,000, executed under date of March 6, 1937, by Mr. Henry D. Swengel as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved unanimously.

Memorandum dated March 10, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the Board authorize him to negotiate with the Federal Reserve Bank of San Francisco for the services of Mr. Merritt Sherman, Assistant Chief of the

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Division of Research of the bank, for a period of three months, to assist Mr. Blattner, Assistant Director of the Board's Division of Research and Statistics, in further organizing the large amount of statistics concerning the banking structure compiled in connection with the Bank Suspension Study. The memorandum requested authority to advise the Federal Reserve Bank of San Francisco that the Board will pay Mr. Sherman's salary at the rate of \$350 per month while he is assisting in the work of the Board, as well as his traveling expenses and an additional amount of \$100 per month to partially compensate for additional subsistence due to his being away from home.

Mr. Goldenweiser's recommendations were approved unanimously.

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

"The Board of Governors of the Federal Reserve System has considered the recommendations of the Executive Committee of your bank, contained in your letters of January 12, 1937, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to 'The Cosmopolitan National Bank of Chicago' and 'The North Shore National Bank of Chicago', Chicago, Illinois, to maintain the same reserves against net demand deposits and time deposits as are required to be maintained by Reserve city banks, effective with the first semi-weekly reserve computation period beginning after the date of this letter.

"Please advise the respective banks of the Board's action in this matter, calling their attention to the fact that such permission is subject to revocation at any time by the Board of Governors of the Federal Reserve System."

Approved unanimously, having also been previously approved by Mr. Davis.

Letter to Mr. Dillistin, Assistant Vice President of the Federal

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Reserve Bank of New York, reading as follows:

"On August 4, 1936, you transmitted to the Board a letter of July 31, 1936, and its inclosures, received from The National City Bank of New York, New York, New York, requesting a ruling concerning the question whether certain features of the plan adopted by such bank with respect to the operations of its trust investment committee are in conformity with the requirements of section 6(c) of Regulation F. Subsequently, this matter was discussed informally by representatives of the bank and members of the Board's staff and the bank submitted a memorandum describing the operations of its trust department and that of its affiliate, City Bank Farmers Trust Company, and discussing the problems hereinafter considered.

"The first question presented is whether it is proper for the bank to provide that 2 of the 6 members of its trust investment committee shall constitute a quorum. The underlying purpose of the provisions in the regulation pertaining to the trust investment committee was to provide: (1) that collective rather than individual judgment govern the investment of trust funds; and (2) that responsibility for the investment of trust funds be definitely placed in a committee functioning as such, rather than in two or more officers acting as individuals.

"The bank has pointed out that the regulation permits of a trust investment committee consisting of only three members, and in view of the fact that two members of such a committee would constitute a quorum, suggests that the purpose of the regulation would be served by considering two members a quorum of a committee of six. While the collective judgment of two individuals would be the same, whether they were members of a committee of three or of six, it is not believed that the responsibility of the committee as such, or the continuity of the committee's action, could be so well maintained if such a proportionately small number of the members could act for the committee. While the regulation does not state specifically what percentage of a trust investment committee shall constitute a quorum, the Board is of the opinion that, in accordance with the usual rule, a majority of the committee is necessary to constitute a quorum in order to comply with the requirements of the regulation.

"The bank has suggested that, if the Board does not deem it proper to provide that two of the six members of such investment committee shall constitute a quorum, the bank's by-laws might be amended to provide for a committee of three members and to provide further for the appointment of alternates to serve in place of the regular members of the committee.

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"The Board recognizes that it may be proper to appoint alternates to serve in place of the regular members of the committee in certain circumstances. However, unless there were some restrictions upon the service of the alternates, it would seem that the bank's suggestion would result in a change merely in form and not in substance and, in the absence of definite information as to the circumstances in which such alternates would serve, the Board is not in a position to express an opinion with reference to such an amendment to the by-laws.

"The second question presented is whether it is proper to provide that trust investments may be made or disposed of upon written approval of a quorum of the trust investment committee without a meeting of the committee. The Board does not consider it inconsistent with the purposes of the pertinent provisions of Regulation F, and will not deem it a violation of such regulation, for trust investments to be made or disposed of upon written approval by a majority of the members of the trust investment committee, provided such action is promptly reported to the committee and the report is incorporated in the minutes of the committee.

"It has been noted that the rules prescribed by the bank's trust committee provide that any vice president or trust officer may purchase for any trust any investment which the bank is authorized to purchase for such trust and which is included in the list of investments approved by the trust investment committee as appropriate investments for trust funds; and that such investments may be purchased prior to action by the trust investment committee with respect to specific transactions although all such transactions are required to be promptly reported to a meeting of the committee. According to the information submitted, the rules require that each new trust be brought to the attention of the trust investment committee promptly for the determination of an investment program adapted to the needs of the particular trust. It is assumed that, under the procedure followed by the bank, all purchases by a trust officer from the approved list are made in accordance with a pre-determined policy of the trust investment committee for the particular trust involved, which policy is currently in effect.

"The Board desires that the provisions of its regulation shall be such that it is entirely practicable for the operations of large as well as small trust departments to be carried on efficiently thereunder. To this end, as you know, before the revision of Regulation F was adopted, the Board obtained, through the cooperation of the American Bankers Association, suggestions from men actively engaged in the

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"operation of trust departments. Some of these men were officers of banks having large trust departments, and the provisions of the regulation under discussion in this letter are in conformity with the suggestions received from them. The development of the procedure under the regulation to be followed by a particular bank involves practical matters of administrative detail which the bank should be able to work out in the exercise of sound judgment. Of course, if it should develop that banks with large trust departments cannot operate efficiently and in a practical manner under the provisions of the regulation, it will be necessary to give consideration to whether an amendment of major importance should be made to the regulation. Any such amendment would require careful consideration of the Board, which would undoubtedly consult with men actively engaged in the operation of trust departments.

"The Board appreciates the fact that the directors and officers of The National City Bank of New York have given careful consideration to the operating procedure of the trust department in an effort to adapt the procedure to the spirit and purpose of the regulation."

Approved unanimously.

Letter dated March 13, 1937, to The First National Bank in St. Louis, St. Louis, Missouri, reading as follows:

"There is inclosed herewith for your information a copy of a letter received by the Board of Governors and written by J. R. Stephenson of Dunlap, Illinois, who is apparently one of your customers. Mr. Stephenson states that he desires to obtain from you a refund of  $1\frac{1}{2}$  per cent interest on a mortgage loan, which he has recently paid off.

"The question whether any such refund should be made is not a matter within the jurisdiction of the Board of Governors, and the Board accordingly holds no opinion on the subject and will express none. However, you will note that Mr. Stephenson inquires whether there is anything in the Board's regulations that would make it impossible for a member bank to make a refund of this kind. There is no rule or regulation of the Board of Governors which would forbid a member bank to refund interest which it has charged on a loan in a case of this kind. However, it has seemed advisable to communicate with you in order that you may have an opportunity to make such statement to the Board in this connection as you may deem advisable before we reply to Mr. Stephenson's letter."

Approved unanimously.

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Letter to Honorable Henry Morgenthau, Jr., Secretary of the Treasury, reading as follows:

"The Presidents of the Federal Reserve banks at a conference held on November 18, 1936 approved a report of a committee on 'Destruction of records maintained by the Federal Reserve banks'. A copy of the report is attached.

"It will be noted from the report that certain recommendations with respect to fiscal agency and depository records are contained on pages 6 - 10 and in the accompanying schedules. On page 9 it is recommended that continuing authority be obtained to destroy certain records after they have been held for specified periods and it will be appreciated if you will advise the Board whether that recommendation will be approved. If continuing authority cannot be obtained, your advice will be appreciated with respect to the Committee's alternative plan of having requests for authority to destroy fiscal agency and depository records made simultaneously by all Federal Reserve banks during 1937, and at intervals of five years thereafter."

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

"Reference is made to the report of the Committee on Destruction of Records maintained by the Federal Reserve banks and Agents, which was approved by the Conference of Presidents at the meeting held in Washington on November 18, 1936.

"On page 9 of the report it is recommended that the Board seek continuing authority from the Congressional Committee for the destruction of certain fiscal agency and depository records. The Board has requested the Secretary of the Treasury to obtain such authority, and after a reply has been received you will be advised in regard thereto. In its letter to the Secretary of the Treasury the Board also requested advice with respect to the recommendation contained in the report that if continuing authority cannot be obtained for the destruction of fiscal agency and depository records requests for authority to destroy such records be made simultaneously by all Federal Reserve banks during 1937 and at intervals of five years thereafter.

"Since the nonstatutory duties formerly handled by the Federal Reserve Agents have been transferred to the banks it will not be necessary to obtain Congressional authority for

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"the destruction of records of such departments accumulated since the date of the transfer. It is requested, however, that no records of the Bank Examination Department be destroyed without the advance approval of the Board of Governors. The Board does not feel that it would be warranted in asking for Congressional authority to destroy records accumulated by the Agents in the performance of certain nonstatutory functions for the full period from the date of the organization of the Federal Reserve banks to the date of the transfer of the non-statutory duties of the Agents to the Federal Reserve banks until after a lapse of a reasonable period of time following the transfer. Accordingly, the destruction of such records will be taken up with you by the Board of Governors at a later date.

"Congressional approval need not be obtained for the destruction of books, periodicals, newspapers, etc., that have been printed by others for general distribution, or for the destruction of surplus copies of like material printed at your bank for general distribution. It is also unnecessary to obtain Congressional approval for the destruction of auditing records, as such records are accumulated by the Chairman of the Board of Directors, not the Federal Reserve Agent.

"With respect to records in connection with Federal Reserve note issues, the report recommends that all such records be held permanently by the Federal Reserve Agents except Item 7 on page 5 and the last five items in Schedule A, for which a minimum retention period of two years is recommended in each case. While it is not thought essential that these records be retained for a longer period than the two years recommended, it is understood that the records are not voluminous and occupy very little space. In order, therefore, to avoid making frequent requests to the Congressional Committee for authority to destroy records that do not occupy much space, it is recommended that requests of Federal Reserve Agents for authority to destroy these records be deferred until requests are submitted for authority to destroy statistical and other records which were accumulated by the Agents prior to the transfer of the nonstatutory duties to the bank and that requests for authority to destroy such records be submitted thereafter at intervals of five years."

In connection with the above matter, the Board also approved unanimously the following letter to Mr. George L. Harrison, Chairman of the Conference of Presidents of the Federal Reserve Banks:

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"The Board is in receipt of a letter, dated December 12, 1936, from Mr. H. F. Strater, Secretary, Conference of Presidents of the Federal Reserve Banks, advising of the approval by the Conference of Presidents, at the meeting held in Washington on November 18, 1936, of the report of the Committee on Destruction of Records maintained by the Federal Reserve banks.

"Attention was directed in the Secretary's letter to the recommendation contained in the report that the Board seek continuing authority from the Joint Congressional Committee for the destruction of certain fiscal agency and depository records. The Board has requested the Secretary of the Treasury to obtain such authority and after a reply has been received you will be advised in regard thereto.

"In its letter to the Secretary of the Treasury the Board also requested advice with respect to the recommendation contained in the report that if continuing authority cannot be obtained for the destruction of fiscal agency and depository records, requests for authority to destroy such records be made simultaneously by all Federal Reserve banks during 1937, and at intervals of five years thereafter. It is assumed that pending receipt of advice from the Secretary of the Treasury no requests will be made by the Federal Reserve banks to destroy any fiscal agency and depository records.

"Certain recommendations with respect to records of the Federal Reserve Agents are contained on pages 3 - 6 of the report and in the accompanying schedules A, B and C relating to Federal Reserve note issues, bank examination, library, statistical, printed circulars, and auditing. The Board is advising the Federal Reserve Agents with respect to the procedure which should be followed in connection with the destruction of records relating to Federal Reserve note issues and also records accumulated by the Agents in their capacity as such prior to the transfer to the bank of the nonstatutory functions formerly performed by them. Since the nonstatutory duties formerly handled by the Federal Reserve Agents have been transferred to the banks it will not be necessary to obtain Congressional authority for the destruction of records of such departments accumulated since the date of the transfer. It is requested, however, that no records of the Bank Examination Department be destroyed without the advance approval of the Board of Governors. Auditing records may also be destroyed without obtaining the Board's approval as such records are accumulated in the Agent's capacity as Chairman of the Board of Directors.



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"A copy of this letter is being forwarded by the Board to the President of each Federal Reserve Bank."

Letter to Honorable John J. Cochran, Chairman, Committee on Expenditures in the Executive Departments, House of Representatives, reading as follows:

"Your letter of March 5, 1937, addressed to Chairman Eccles, in which you request information concerning the activities of the Board in connection with the handling of publicity, the sending of speakers throughout the country to make addresses, and also the operation of multigraphing and mimeographing, has been brought to the attention of the Board.

"The Board of Governors of the Federal Reserve System does not engage in any work that is primarily for the purpose of publicity. Material for the use of the Board in the performance of its duties is collected and interpreted and in cases where such material is not confidential in nature and is of interest to the public, the Board makes it available to the public either through releases to the newspapers or through publication in the monthly Federal Reserve Bulletin or the Annual Report made to Congress pursuant to the provisions of the seventh paragraph of section 10 of the Federal Reserve Act.

"The Board does not send out speakers to make addresses and the only activity in this connection is the addresses made from time to time by members of the Board, and on less frequent occasions by members of the staff, in response to invitations by banking or related groups.

"Information with respect to the number of people engaged in mimeograph work (the Board has no multigraph equipment) and the cost of the activity is not readily ascertainable for the reason that typists and other clerks who do mimeograph work also have other duties which are not related to the mimeograph function and no record is made of the time spent in this activity. In view of these circumstances, and the further fact that the expenses of the Board are not paid from appropriations by Congress but are met from semi-annual assessments made by the Board upon the twelve Federal reserve banks, it is assumed that more detailed information with respect to mimeograph work is not required by your Committee.

"In the event your Committee should feel it necessary to have someone from this organization give testimony before

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"your Committee, Mr. Elliott Thurston, Special Assistant to the Chairman of the Board of Governors, will be prepared to appear."

Approved unanimously.

Thereupon the meeting adjourned.

Chetan Mone  
Secretary.

Approved:

W. Steeles  
Chairman.