

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 3, 1937, at 9:30 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

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 April 2, 1937, were approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"The Board understands that in some of the Federal reserve banks it has been the practice, when a large staff was required to examine some of the larger State banks, to use employees of other departments to lend clerical assistance to the regular examiners and assistant examiners, and that in some cases the names of such employees to be used in examination work have not been submitted to the Board for approval. In order to avoid any question as to the right under the law of such employees to participate in examinations made under the provisions of section 9 of the Federal Reserve Act, it is felt that any person who participates in an examination of a State member bank made by direction of a Federal reserve bank should be designated as an examiner or assistant examiner, as the case may be, and that such designation be formally approved by the Board.

"It is requested, therefore, that, if it has not already been done, the names of any officers and employees of your bank it is desired be designated as examiners or assistant examiners, in order that their services may be available to

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"assist your regular examining staff when necessary, be submitted to the Board for approval, and that no officer or employee of a Federal reserve bank participate in an examination made by the Federal reserve bank unless he has been approved by the Board of Governors for such work. Such approval, once given, will be a continuing approval, good until revoked, and need not, of course, be obtained prior to each examination in which such individual participates.

"When such names are submitted with the understanding that the individuals will be used solely to lend temporary assistance to your regular examining staff and that they will not be transferred permanently to examination work without the Board's approval, it will not be necessary to submit the detailed information requested in the Board's letter of September 20, 1933, X-7595. Such employees, of course, will be classified under your personnel classification plan in accordance with their regular duties and not as examiners or assistant examiners."

Approved unanimously.

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

"This supplements the Board's letter X-9858, dated April 3rd, 1937. It is understood that occasionally your bank obtains the cooperation of national bank examiners in starting the examination of large State member banks. In such cases the names of such examiners need not be submitted to the Board for approval in accordance with the procedure outlined in the Board's letter X-9858, and the Board hereby approves the use by your bank of any national bank examiner or assistant national bank examiner in the examination of a State member bank made pursuant to the provisions of section 9 of the Federal Reserve Act."

Approved unanimously, together with a similar letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis.

Letter dated April 2, 1937, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Prior to the transfer of the nonstatutory duties of the Federal Reserve Agents to the banks the persons designated as 'Assistant Federal Reserve Agent' were regarded as officers.

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"Since such transfer such persons are regarded as employees and provision for the position of 'Assistant Federal Reserve Agent' has been made in the personnel classification plans. While it is the practice to make all official appointments on a calendar-year basis, appointments to non-official positions continue until terminated by appropriate authority. Accordingly, it will not be necessary to re-appoint each year persons serving as Assistant Federal Reserve Agents, Alternate Assistant Federal Reserve Agents, or Federal Reserve Agent's Representatives at the branches.

"Most of the revised personnel classification plans provide a maximum salary for the position of Assistant Federal Reserve Agent. This maximum salary should be regarded as the maximum which may be paid for the position but in view of the provisions of the Federal Reserve Act no change should be made in the salary of an Assistant Federal Reserve Agent without obtaining the Board's prior approval thereof.

"Since Alternate Assistant Federal Reserve Agents at the Head Offices and Federal Reserve Agent's Representatives at the branches are engaged for only a small portion of their time in the issuance and retirement of Federal Reserve notes and devote most of their time to other duties, such other duties are taken into consideration in fixing their annual compensation. As in the case of Assistant Federal Reserve Agents, however, no change should be made in the salary of a person designated as an Alternate Assistant Federal Reserve Agent or as a Federal Reserve Agent's Representative without obtaining the Board's prior approval thereof. The maximum salaries provided in the personnel classification plans for the positions to which Alternate Assistant Federal Reserve Agents and Federal Reserve Agent's Representatives devote most of their time will be taken into consideration by the Board of Governors in fixing the salaries of such employees.

"It is requested that if you have not already done so steps be taken within a reasonable period to change the title of each person, other than the Assistant Federal Reserve Agent, who assists the Federal Reserve Agent in the issuance and retirement of Federal Reserve notes at the Head Office to 'Alternate Assistant Federal Reserve Agent' and the title of each person designated to assist the Federal Reserve Agent at a branch to 'Federal Reserve Agent's Representative'. When this change in title is made it will be necessary, of course, to have appropriate changes made in the oaths of office and bonds covering such employees and before the change in title actually becomes effective the revised bond should be approved by the bank's counsel. After approval by the bank's counsel the bond should be forwarded to the Board of Governors for approval. A mimeographed copy of the form of

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"bond to be executed by Federal Reserve Agent's Representatives at the branches is attached.

"Provision for the position 'Assistant Federal Reserve Agent' has been made in the personnel classification plans of all banks. In order to provide for the position 'Alternate Assistant Federal Reserve Agent' a note reading as follows: 'In the absence of the Assistant Federal Reserve Agent or when he is not available, an Alternate Assistant Federal Reserve Agent appointed by the Federal Reserve Agent with the approval of the Board of Governors will perform the duties described above', has been appended to the description of work for the position of Assistant Federal Reserve Agent as shown in the revised personnel classification plans recently approved by the Board. The position of Alternate Assistant Federal Reserve Agent need not be otherwise provided for in the personnel classification plan.

"Where an employee at a branch is authorized to act for the Federal Reserve Agent in the issuance and retirement of Federal Reserve notes provision should be made in the personnel classification plan of such branch for the position 'Federal Reserve Agent's Representative'. The description of the duties for the position 'Federal Reserve Agent's Representative', as approved by the Board, is shown on the inclosed Form A page.

"In all lists of employees submitted to the Board of Governors, each employee at the head office designated as 'Alternate Assistant Federal Reserve Agent' and each employee at a branch designated as 'Federal Reserve Agent's Representative' should be listed as such and the note 'Also performs duties of \_\_\_\_\_ \* ' should be appended to their names. No Form A maximum salary need be shown on such lists for employees designated as Alternate Assistant Federal Reserve Agents.

"\*Insert title of position to which regularly assigned when not engaged in duties of Alternate Assistant Federal Reserve Agent or Federal Reserve Agent's Representative."

Approved unanimously.

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

"This refers to your letter of March 8, 1937, and inclosures, regarding the question whether deposits made by a national bank in its savings department of trust funds awaiting investment belonging to several trust estates may be classified as savings deposits under the definition contained in subsection 1(e) of Regulation Q. It is understood that in

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"the case presented the national bank deposits all of its trust funds awaiting investment in its savings department in two savings deposits, one covering private trusts and the other covering court trusts.

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

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

"Since a deposit may be classified as a savings deposit under the definition in Regulation Q only if the entire beneficial interest therein is held by an individual or organization of the kinds described in subsection 1(e), a deposit of trust funds awaiting investment belonging to several trust estates may not be classified as a savings deposit if any beneficiary of any of the estates is not of the classes described in the definition of 'savings deposits.' The Board is in accord with the opinion of your Counsel that an account of the kind under consideration may not be split so as to permit the payment of interest on the savings deposit to the extent that it represents funds on which interest may properly be paid, and to deny the payment of interest as to the remainder. However, such an account might be made eligible as a savings deposit by eliminating therefrom the funds of all estates of which any of the beneficiaries would not be permitted to maintain savings deposits.

"As suggested by your Counsel, it may be doubtful whether it is appropriate to deposit all trust funds awaiting investment under a contract requiring not less than thirty days' written notice or reserving the right to require such notice prior to withdrawal. However, section 11(k) of the Federal Reserve Act and Regulation F do not prohibit such deposits by a national bank in its savings department, provided col-

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"lateral security therefor is furnished as required by the law and Regulation F. The provisions of Regulation F referred to by your Counsel are not deemed to prohibit a national bank from commingling, in a single bank deposit, trust funds awaiting investment belonging to several trusts, but adequate records showing the interest of each trust in such a deposit should be maintained."

Approved unanimously.

Letter to Mr. Hugh L. Clary, Vice President, Bank of America, N. T. & S. A., San Francisco, California, reading as follows:

"The correspondence to which you referred in your letter of March 9 to Chairman Eccles, the receipt of which was acknowledged in my letter of March 17, in regard to the application of the Transamerica Corporation for a voting permit under Section 5144 of the Revised Statutes, has been considered by the Board and it has requested me to advise you that if Mr. Giannini desires to discuss this matter Mr. McKee and such other members of the Board as may be available at the particular time will be glad to see Mr. Giannini. It is suggested that either you or Mr. Giannini indicate the date on which he would expect to be in Washington.

"As you know, the Board in December 1936, adopted a revised standard form of voting permit agreement, of which Transamerica Corporation has a specimen form, and, for your information, no changes have been made or exceptions allowed in that form.

"It is the view of the Board that if any question should arise as to the proper application of the terms of the agreement it should be determined on the basis of the facts as disclosed by the reports of examination and other pertinent information when the necessity therefor arises. For example, with respect to the matter of capital ratios mentioned in Mr. Grant's letter, the Board has not prescribed a fixed or arbitrary rule for the determination of this question but considers that whether the net capital and surplus funds of any particular institution meet the requirements and terms of the agreement is a matter for determination on the merits of the situation in the light of all the known facts when a decision becomes necessary."

Approved unanimously.

Memorandum dated March 23, 1937, from Mr. Hammond, Technical

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Assistant in the Division of Bank Operations, submitting a summary of the reports of the Federal reserve banks on their bank and public relations activities during the month of February, and suggesting that in the future, inasmuch as the reports have now been received and summarized for several months and appear to have been found of interest, a copy of the summary as prepared for the Board be mimeographed for distribution to the Federal reserve banks. The memorandum also submitted the following letter to be transmitted to the Federal reserve banks with the summary of the reports for the month of February:

"There is inclosed for your information a summary of the bank relations reports submitted by the Federal reserve banks for the month of February in response to the Board's letter of August 25, 1936 (X-9680).

"As the summary discloses, the reports submitted by the various reserve banks have been much more comprehensive and informative in some cases than in others. Although it is not desired that the reports follow a set pattern, it will be appreciated if the banks will supply as far as practicable or available the kinds of information referred to in the Board's letter of August 25, 1936.

"As stated in the Board's letter of January 13, 1937 (X-9793), it will be helpful if the reports can be submitted by the 10th of each month in order that they may be brought to the attention of the members of the Board as soon as practicable after the period to which they relate."

Approved unanimously.

Letter to Mr. Burke, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"The arrangement under which the accounts of the Board's Fiscal Agent are audited by auditors from the Federal Reserve Bank of Cleveland under the direction of Mr. F. V. Grayson, Auditor for the bank, will terminate as of the close of

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"June 30, 1937. This arrangement contemplates three audits during the yearly period and provides that the Board shall reimburse the bank for the salaries of the auditors and the retirement contributions made for their account for the periods they are absent from their official duties at the Cleveland bank and engaged in the audits, together with their actual necessary traveling expenses and an allowance for each auditor of \$8.00 per diem in lieu of subsistence and \$5.00 as additional compensation for each day spent in Washington.

"At the time of the last audit, Mr. Grayson expressed the opinion that, on the basis of his experience in auditing the Fiscal Agent's accounts and in the light of approved auditing procedure, there appeared to be no necessity for auditing such accounts oftener than twice a year. The suggestion has also been made in the Board's offices that as the auditors regard it as a privilege to participate in the audits and in view of the larger per diem now being allowed, the payment to each auditor of \$5.00 as additional compensation for each day spent in Washington should be discontinued. The Board concurs in these suggestions.

"It will be appreciated, therefore, if you will advise whether it meets with the approval of your directors to continue the present arrangement for another year from June 30, 1937; with the understanding that only two audits will be made during the period as of dates to be determined by Mr. Grayson, and that the \$5.00 per day as additional compensation will not be paid.

"This matter has been discussed informally with President Fleming and he has advised that he would be pleased to recommend that the assignment of the duty to Mr. Grayson be renewed for another year."

Approved unanimously.

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

"Reference is made to your letter of March 26 advising that Mr. Neilan of your examining department desires to attend the Graduate School of Banking at Rutgers University this summer for his third and final year; that two of the three representatives of your bank who attended the school last year wish to return this summer; that in addition you propose to select two members of the staff to attend the first year course; and that you believe it desirable for

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"your bank to pay the whole cost of attendance (registration fee, resident and tuition fee, and dormitory and dining hall charges) of the members of its staff it selects to attend the school.

"In reviewing this question prior to writing the statement inclosed with its letter, X-9729, the Board recognized that attendance at the Graduate School should materially increase the value of an officer or employee to the System; it was also cognizant of the fact that such attendance would materially benefit the officer or employee himself and felt, consequently, that such officer or employee should be willing to make some financial sacrifice in order to obtain the benefits resulting from attendance at the Graduate School.

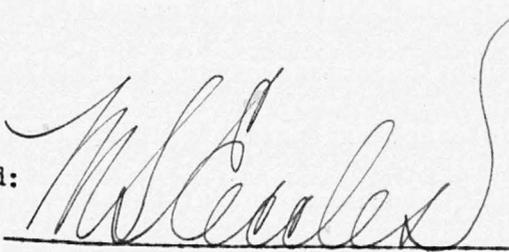
"The Board is not unmindful of the fact brought out in your letter that if the individual employee is asked to assume a substantial part of the expense involved it may impair your freedom to select the men whom you think would get the most out of the course and best represent the bank at the school. It also appreciates the desirability of selecting men who will be benefited by study at the Graduate School, in terms of improved subsequent service to the bank, and who will appropriately and adequately represent the bank at the school, both in their contacts with the faculty and with the representatives of other institutions who may be in attendance.

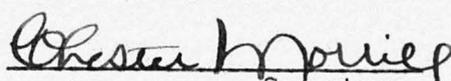
"It seems to the Board, however, that in the circumstances those officers and employees of the bank whom the bank wishes to select to attend the course should be willing to assume a substantial portion of the cost of attending the school, and, after reviewing the matter in the light of your letter, the Board is still of the opinion that the System's contributions toward expenses of officers and employees in attending the Graduate School should be limited to transportation expenses and leave with pay for the time necessary to take the course."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.