

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 1, 1937, at 11:30 a.m.

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

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:

Telegram to Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, 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 June 25, 1937, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Mary V. Quimby, now employed on a temporary basis as a file clerk in the office of the Secretary, be transferred to the Division of Research and Statistics as a stenographer on a temporary basis for a period of three months. The memorandum further recommended that, in view of Miss Quimby's change in status, her salary be increased from the present rate of \$100 to \$120 per month, which has been considered the minimum for stenographers in the Division.

Approved unanimously.

Memorandum dated June 30, 1937, from Mr. Smead, Chief of the Division of Bank Operations, referring to the action taken on March 29, 1937, authorizing the temporary assignment to the Division of Bank Operations,

7/1/37

-2-

for a period not to exceed two months, of Mr. Frederick L. Alexander, supervisor in the Bank Examinations Department of the Federal Reserve Bank of New York. The memorandum stated that Mr. Alexander worked one day beyond the two-months period authorized; that the voucher submitted by the New York bank called for reimbursement of Mr. Alexander's salary for a period of two months and one day; and that, therefore, it was recommended that the Board authorize the reimbursement of the Federal Reserve Bank of New York for the additional day. The memorandum also recommended that the Board approve the reimbursement of the New York bank for Mr. Alexander's transportation expenses to and from New York amounting to \$20.80.

Approved unanimously.

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

"There is attached a copy of a report of the survey of the Bank Examination Department of the Federal Reserve Bank of New York, recently conducted by Examiner Wilkes of the Board's Division of Examinations.

"It will be appreciated if you and such of your Board of Directors as are interested will review the attached report of the survey and give the Board the benefit of your reactions to any of the statements or conclusions concerning which you would like to express your views.

"Although the report should be regarded as confidential, the Board sees no objection to the report, or parts thereof, being submitted to, or discussed with, such of the bank's senior officers as you deem advisable."

Approved unanimously.

Letter to Mr. Newton, President of the Federal Reserve Bank of Atlanta, reading as follows:

"There is attached a copy of a report of the survey of the Bank Examinations Department of the Federal Reserve Bank

7/1/37

-3-

"of Atlanta, recently conducted by Mr. C. E. Cagle of the Board's Division of Examinations.

"It will be appreciated if you and such of your Board of Directors as are interested will review the attached report of the survey and give the Board the benefit of your reactions to any of the statements or conclusions concerning which you would like to express your views.

"Although the report should be regarded as confidential, the Board sees no objection to the report, or parts thereof, being submitted to, or discussed with, such of the bank's senior officers as you deem advisable."

Approved unanimously.

Letter to Mr. Kettig, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors of the Federal Reserve System decided some time ago that surveys should be made of the Bank Examination and Auditing Departments at all of the Federal Reserve Banks. There is attached a copy of a report of the survey of the Auditing Department of the Federal Reserve Bank of Atlanta recently conducted by the Board's Examiners Jones and Cagle. An additional copy of the report is inclosed for President Newton.

"While the survey indicates that the auditing function at the Federal Reserve Bank of Atlanta in general is being performed adequately and in substantial conformity with the standards recommended by the Conference of Auditors of the Federal Reserve Banks held in Washington last fall, it indicates two important matters which merit consideration. These relate to the relationship between the board of directors and the Auditing Department, and certain work performed by the Auditing Department which appears to be functions of operating departments.

"It will be appreciated if you and any of your directors whom you may designate and President Newton will review this report of survey and give the Board the benefit of your reactions to the two matters referred to above and any other statements or conclusions concerning which you would like to express your views.

"The footnote of the letter transmitting the recommendations of the Conference of Auditors to Mr. George L. Harrison, Chairman of the Conference of Presidents of the Federal Reserve Banks, called attention to the confidential nature of the material contained in that report and other information relative to the auditing activities at the Federal Reserve Banks. As the inclosed report refers frequently to the Auditors' recom-

7/1/37

-4-

"mendations and also contains other information of a confidential nature concerning the activities of the Auditing Department of your bank, it will be appreciated if the report itself is not made available to the bank's employees and the officers directly in charge of the operating departments. Of course, the Board sees no objection to the report, or parts thereof, being submitted to, or discussed with, your directors and such of the bank's officers as you and President Newton deem advisable."

Approved unanimously.

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

"There is attached a copy of a report of the survey of the Bank Examination Department of the Federal Reserve Bank of Chicago, recently conducted by the Board's Examiner Wilkes.

"It will be appreciated if you and such of your Board of Directors as are interested will review the attached report of the survey and give the Board the benefit of your reactions to any of the statements or conclusions concerning which you would like to express your views.

"Although the report should be regarded as confidential, the Board sees no objection to the report, or parts thereof, being submitted to, or discussed with, such of the bank's senior officers as you deem advisable."

Approved unanimously.

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

"The Board approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago requested in your letter of June 21 as revised in accordance with your letter of June 28. The Board also approves, effective July 1, the payment of salary at the rate of \$4,600 per annum to Mr. Robert E. Coulter, City Paying and Receiving Teller, and a salary at the rate of \$4,100 per annum to Mr. Walter A. Hopkins, Country Paying Teller, both of which salaries are \$100 in excess of the maximums provided in the personnel classification plan for the positions occupied."

Approved unanimously.

7/1/37

-5-

Letter to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the recommendation contained in your letter of June 23, the Board approves, effective July 1, 1937, the payment of a salary at the rate of \$2,460 per annum to Mr. J. C. Clark, Jr., Federal Reserve Agent's Representative at the Oklahoma City Branch."

Approved unanimously.

Letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of June 25, advising that your executive committee voted to recommend that the salary of Mr. C. C. Hall, Assistant Federal Reserve Agent at your bank, be fixed by the Board of Governors at the rate of \$4,000 per annum for the period July 1 to December 31, 1937, and that you concur in the above recommendation.

"In view of the statements contained in your letter the Board approves the salary at the rate of \$4,000 per annum for Mr. C. C. Hall, Assistant Federal Reserve Agent, for the period July 1 - December 31, 1937."

Approved unanimously.

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

"Reference is made to your letter of June 26, transmitting the report of examination, and the analysis thereof, of the 'Bourbon-Agricultural Bank & Trust Company', Paris, Kentucky, as of May 15, 1937, and advising that the officials of the bank are desirous of having the following condition of membership waived:

- '19. Such bank shall make adequate provision for depreciation in its banking house, in an amount which in any one year shall be not less than two per cent of the present carrying value of such banking house.'

"While the bank has made no depreciation charges against the banking house since admission to membership in June 1933, it appears that the bank has in the past anticipated depreciation allowances and that, by periodic charge-offs, the total

7/1/37

-6-

"carrying value of the property had been reduced from an original cost of \$33,600, including \$9,400 for the cost of the land, to \$15,000, the amount at which the property, with an estimated value of \$30,000, is now carried. The current report of examination reflects a net sound capital of \$538,400 as compared with total deposits of \$1,728,100 and the bank is reported in excellent condition and under capable management.

"In view of all of the circumstances, the Board, while not waiving condition of membership numbered 19, will waive compliance with that part of the condition requiring annual allowances of not less than 2 per cent. In effect, then, the condition would be similar to the condition of membership now generally prescribed, which reads as follows:

'Such bank shall make adequate provision for depreciation in its banking house.'

"The revised condition, while maintaining the principle that adequate provision be made for depreciation in bank premises, permits appropriate allowance for situations such as here presented. On the basis of the information submitted, it would appear that, under the terms of the amended condition, further depreciation charge-offs on banking house by the Bourbon-Agricultural Bank & Trust Company would not be necessary at this time.

"Please furnish the Board, for its files, with a copy of your letter to the bank advising of the action which has been taken in this matter."

Approved unanimously.

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

"Re your telephone conversation June 30 with Paulger regarding reported kiting operations and request of Chief National Bank Examiner for pertinent information regarding State member bank through which checks passed, you are hereby authorized to cooperate to fullest extent with office of Comptroller of the Currency, Federal Deposit Insurance Corporation, and Reconstruction Finance Corporation, and make available information you may have which will be of assistance in running down indicated violations. Please advise Board as to developments."

Approved unanimously.

Letter to Mr. Joseph F. Verhelle, Senior Officer and Comptroller

7/1/37

-7-

of The Manufacturers National Bank of Detroit, Detroit, Michigan, reading as follows:

"Reference is made to your letter of June 3, 1937, which the office of the Comptroller of the Currency has referred to the Board. Your letter refers to the exemption from Regulation U which section 2(b) of the regulation provides in the following terms:

'Any loan to any person whose total indebtedness to the bank at the date of and including such loan does not exceed \$1,000;'

"You are correct in construing this provision and the ruling published on page 420 of the June 1936 Federal Reserve bulletin as requiring ordinary real estate loans made in the usual course of business to be included, together with other indebtedness, in determining whether or not a loan applicant's total indebtedness to the bank exceeds \$1000.

"In determining the applicant's total indebtedness to the bank for the purposes of this provision, his liability as the maker of commercial paper which another person has discounted with or sold to the bank should also be included, as well as any other noncontingent liabilities of the applicant to the bank, including any such liabilities which may have been contingent at one time but have become noncontingent. However, contingent liabilities of the applicant such as his liability as an ordinary indorser, guarantor or surety should be excluded in such a determination."

Approved unanimously.

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

"Reference is made to the report of the Presidents' Conference Committee on Free Services with respect to 'Shipping Expense and Movement of Currency and Coin' which report it is understood was submitted to and approved by the Presidents at their conference held in Washington on June 7, 1937.

"The report of the Committee on the services rendered by Federal Reserve banks in furnishing currency and coin to member banks and on the expense of such services is comprehensive, and the data contained therein should prove helpful in the efforts of the banks to reduce the expense of the currency and coin function to the minimum consistent with the efficient operation of such function and the rendering of reasonable services to member banks. The Board

7/1/37

-8-

"has read this report with much interest, and has requested me to advise you that it concurs in the recommendations contained on page 32 of the report."

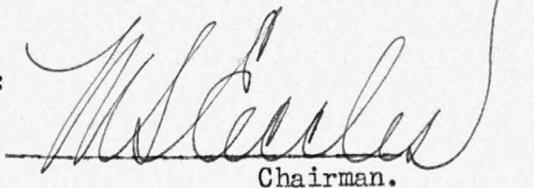
Approved unanimously.

Mr. Morrill submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of certain equipment for use in the Board's new building, as listed in purchase order number 1733, at a total cost of \$176.40.

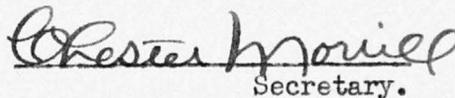
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



Chairman.

  
Secretary.