

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 13, 1937, at 2:30 p. m.

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

Mr. Morrill, Secretary  
 Mr. Bethea, Assistant Secretary  
 Mr. Carpenter, Assistant Secretary

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 meetings of the Board of Governors of the Federal Reserve System held on September 11 and 12, 1937, were approved unanimously.

Telegram to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, 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 September 9, 1937, from Mr. Smead, Chief of the Division of Bank Operations, submitting the resignation of Arthur Williams as a messenger in that Division, and recommending that the Board accept the resignation effective at the close of business on October 23, 1937.

Approved unanimously.

9/13/37

-2-

Letter to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring to your letter of September 4, the Board has designated Mr. Horbett, Assistant Chief of the Division of Bank Operations, to work with the committee which is to prepare for the consideration of the next Presidents' Conference a uniform schedule which might be used by all Federal Reserve banks in compiling operating ratios of member banks."

Approved unanimously.

Letter to the board of directors of "The Eaton Bank", Eaton, Colorado, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Eaton Bank', Eaton, Colorado, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the State Bank Commissioner for the State of Colorado for his information.

"It has been noted that the management of the bank has requested that the bank be not required to depreciate the book value of the bank premises or of furniture and

9/13/37

-3-

"fixtures this year. Condition of membership numbered 4 which is standard in form does not specify the amount or the time as to when such depreciation allowances shall be made but requires that adequate provision be made for such allowances. According to the information available, the bank's investment in bank premises is a little less than the amount recently spent on alterations and improvements, the carrying value of the property was reported to be conservative, the carrying value of the furniture and fixtures represents expenditures which have been made for new equipment since the bank's organization, and other furniture and fixtures which were included in the purchase price of the building are not reflected in the account on the bank's books. It would appear that, in the circumstances, the bank might be justified under the conditions of membership in not making provision this year for depreciation in banking house and furniture and fixtures and since the Federal Reserve Bank Committee has recommended that the bank's request in this respect be granted, the Board will not require that provision for such depreciation be made this year.

"It has been noted that the bank's attention has been or will be called to the fact that public funds do not qualify as savings deposits under the Board's Regulation Q and should be carried in some other manner. It is assumed, of course, that this matter will be followed to a conclusion."

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

"Reference is made to your letter of September 1, 1937, transmitting with a favorable recommendation the request of the Bank of the Manhattan Company, New York, New York, for a further extension of time within which to dispose of its holdings of stock of The County Trust Company, White Plains, New York, as required by the conditions of membership applicable to the former institution.

"It has been noted that the Bank of the Manhattan Company is continuing its efforts to dispose of its holdings of stock of The County Trust Company to desirable purchasers at a reasonable price and that you believe that reasonable efforts have been made to dispose of the stock. Accordingly, in view of your recommendation, the Board extends to October 1, 1938, the time within which the bank may dispose of such

9/13/37

-4-

"holdings in compliance with the conditions of membership."

Approved unanimously.

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

"As you know, the situation with respect to the management of the Liberty Bank of Buffalo, Buffalo, New York, has been a matter of concern for some time and the need for strengthening the management of the institution has been discussed with you on several occasions by members of the Board and of the Board's Staff.

"It is understood that a committee of the directors of the bank has been endeavoring to obtain a strong and competent executive vice president, that members of the committee conferred with you and Mr. Sheehan and stated that they were very much inclined to engage as executive vice president Mr. Thomas R. Dwyer, now vice president of the Lincoln-Alliance Bank and Trust Company of Rochester, and that you and Mr. Sheehan advised the committee that what you know of Mr. Dwyer was favorable and that he was entitled to high ranking as to character, ability and record of performance. It is understood further, however, that upon being advised of the situation, the Board's Division of Examinations suggested that the record of the First National Bank and Trust Company of Rochester (of which Mr. Dwyer has been first, executive vice president and later, president) as shown by the reports of examination of that institution would hardly indicate that Mr. Dwyer is the man to provide the desired strengthening of the management of the Liberty Bank, and that at the request of Mr. Paulger you and Mr. Sheehan came down to Washington to discuss the situation with the Board's Division of Examinations.

"The reports of examination of the First National Bank and Trust Company of Rochester, which it is understood you have reviewed in connection with the consideration of the position you should take in this matter, indicate that Mr. Dwyer has been charged with some of the same practices for which the management of the Liberty Bank has been severely criticized in the past. The criticisms made by the national bank examiners of the management of the First National Bank and Trust Company of Rochester do not make a favorable record as a basis for the selection of Mr. Dwyer as the executive to add the desired strengthening to the management of the Liberty Bank. It may be, however, that you are satisfied that the reports of examination of the national

9/13/37

-5-

"bank have not properly reflected the situation and that the comments, opinions and allegations of the national bank examiners have been unfair to Mr. Dwyer, or that from other information and on other grounds you are convinced that Mr. Dwyer is properly qualified for the position under consideration.

"As a matter of general policy it is not the Board's desire or intent to undertake to dictate the selection of individual officers in individual cases and its interest in this particular case is that the management of the Liberty Bank be strengthened in an adequate manner. The primary responsibility of how that should be done rests, of course, upon the directors of that institution, but it is felt that the Federal Reserve bank has a responsibility in the matter, especially since its advice and suggestions have been solicited with respect to an appointment, and that the final determination of the position which the Reserve bank should take in the matter should be made only after careful consideration of all of the circumstances."

Approved unanimously.

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

"Reference is made to your letter of September 2 in regard to the forthcoming annual meeting of stockholders of the Federal Reserve bank to be held in Boston.

"The Board of Governors of the Federal Reserve System approves the expenditure authorized by the Board of Directors of your bank in connection with the reimbursement of any member bank represented at the meeting for the amount expended by not more than one representative of such bank for railroad fare and Pullman accommodation in attending the meeting."

Approved unanimously.

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

"Further reference is made to your letter of August 14, 1937 regarding the applicability of section 32 of the

9/13/37

-6-

"Banking Act of 1933 to the services of Mr. A. M. White, Jr., as trustee of Brooklyn Trust Company, Brooklyn, New York, and as general partner of White, Weld & Co., New York, New York.

"You point out that in 1935 the Board decided that transactions of the kinds referred to in section 32 constituted such a small percentage of the total business of White, Weld & Co. that the firm should not be regarded as 'primarily' engaged in the type of business described in that section.

"However, you state that it is your practice to review the advertisements regarding offerings of securities and other similar information available to you so as to obtain data relating to organizations which have previously been found to be not 'primarily' engaged in the types of business referred to in section 32 although engaged in such business to a certain extent. Since the data thus obtained respecting White, Weld & Co. indicated increased activity in such business, you recently requested the firm to submit to you information regarding its business during the preceding two-year period.

"The information which the firm has furnished is summarized and commented on in the memorandum opinion of counsel to your bank which you inclosed. It is to the effect that gross income of the firm from the types of business described in section 32 constituted 28.5 per cent of the firm's total gross income for 1935, 34.5 per cent for 1936, and 16.8 per cent for the first two months of 1937, an average of 30.6 per cent.

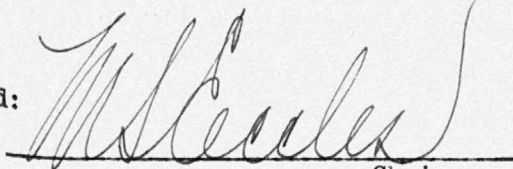
"Your counsel reaches the conclusion, in which you agree, that on the basis of this information White, Weld & Co. is 'primarily engaged in' the types of business specified in section 32, and you are advised that the Board agrees with this conclusion.

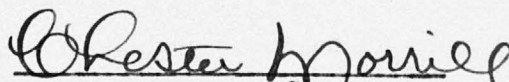
"It is noted that this conclusion will also make it necessary for Mr. Gilbert G. Browne, who is a director of City Bank Farmers Trust Company, New York, New York, and a special partner of the firm, to bring his relationships into conformity with the provisions of section 32."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.