

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 21, 1937, at 11:30 a. m.

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

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 September 20, 1937, were approved unanimously.

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 July 27, 1937, transmitting a recommendation from the Personnel Committee that, for the reasons stated in the memorandum, the salaries of certain of the telegraph operators in the Washington Telegraph Office be adjusted to the salary rates set forth below, and that the hours of duty of Mr. L. H. Cooley, who is employed as a telegraph operator on a part-time basis, be increased from four

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to five hours, with no change in his present salary at the rate of \$1,200 per annum, all effective as of October 1, 1937:

H. M. Ott	\$2,280	T. N. Buckley	\$1,860
L. L. Ball	1,920	G. L. March	1,860
M. P. Flagg	1,920	J. E. Tanner	1,500
W. S. Pool	1,860		

The recommended adjustment in Mr. Tanner's salary was based on his being assigned to do certain work previously done by a messenger boy in the telegraph office, such as counting words in telegrams sent by the Washington office and proving Interdistrict Settlement and Federal reserve note wires and in his spare time to serve as a telegraph operator.

Approved unanimously.

Memorandum dated September 16, 1937, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment of Bishop B. Hart as a messenger in the Division, with salary at the rate of \$840 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of September 15 advising that the board of directors of your bank has decided, subject to the approval of the Board of Governors of the Federal Reserve System, to grant Mr. R. H. Broadus, Vice President, a leave of absence with pay until December 31,

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"1937, and to make him a cash payment of \$7,000 on that date, with the understanding that he will apply for special service retirement effective January 1, 1938.

"In view of his long service, the Board is pleased to give its approval to the proposed payments to Mr. Broadus by your bank."

Approved unanimously.

Letter to the board of directors of the "Haxtun State Bank", Haxtun, 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, for transmission through the Federal Reserve Bank of Kansas City.

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

"Reference is made to your letter of September 13, 1937, requesting advice as to whether the classification of member banks for the purpose of electing Class A and Class B directors to be used this year will be the same as that in effect in 1935 and 1936 for Group 2 banks.

"It is noted that in your opinion a reclassification of member banks is not desirable and that you recommend the continuance of the classification made in 1935. The Board concurs in your recommendation and will continue the present classification of member banks in the First Federal Reserve District."

Approved unanimously.

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

"There is inclosed a letter to 'First Bank Stock Corporation', Minneapolis, Minnesota, stating that the Board considers that the corporation has complied with the provisions of paragraph numbered 2 of the agreement executed by the corporation as a condition precedent to the issuance of a general voting permit.

"The Board's conclusion in this case is based upon the opinion expressed in your letter dated August 30, 1937, with which was submitted detailed information prepared by First Bank Stock Corporation and its subsidiary banks relative to paragraph 2 of the agreement, and upon data contained in current reports of examination of institutions in the group. In the absence of any reason to the contrary which you feel you should communicate to the Board, please deliver the inclosed letter to First Bank Stock Corporation."

Approved unanimously, together with a letter to the "First Bank Stock Corporation", Minneapolis, Minnesota, reading as follows:

"Reference is made to Mr. L. B. Hogue's letter dated August 21, 1937, with inclosures, setting forth information regarding compliance with paragraph numbered 2 of the agreement executed by First Bank Stock Corporation in consideration of the granting of a general voting permit to such corporation.

"Based upon the information furnished by you and data contained in current reports of examination of institutions in the First Bank Stock Corporation group, the Board considers that the provisions of paragraph numbered 2 of the agreement referred to, executed on February 11, 1936, and modified on June 22, 1937, have been complied with and are therefore no longer binding upon First Bank Stock Corporation."

Letter, prepared for the signature of Mr. Ransom, to Mr. Loy W. Duddleston, Secretary, Houston Chapter, Associated General Contractors of America, Inc., Houston, Texas, reading as follows:

"This will refer to your letter of September 13, addressed to Mr. Eccles, Chairman of the Board, with which you

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"enclosed a copy of your letter of September 3 to President McKinney of the Federal Reserve Bank of Dallas, and a copy of his reply to you under date of September 7. Mr. Eccles is away from Washington and, therefore, I am replying in his absence.

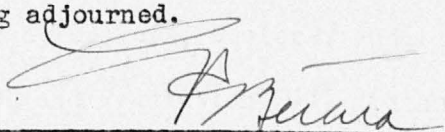
"It is noted that you feel that Houston contractors should have been given an opportunity to submit bids in connection with the work of refacing the building of the Houston Branch of the Federal Reserve Bank of Dallas, and that you desire to ascertain the reason for the handling of this work on the basis outlined in President McKinney's letter to you of September 7.

"After reading your letter of the 3 to Mr. McKinney and his reply of the 7, it would appear that he has rather fully answered your inquiry and has explained why it would, in their opinion, have been impracticable to handle this repair work on a bid basis.

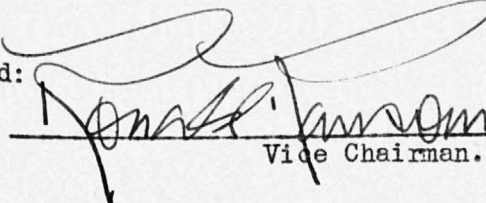
"In your letter, you refer to the work in question as a 'Federal project', and, for this reason, you seem to feel that Houston contractors should have been given every opportunity to submit formal bids. Federal Reserve banks are not required by law or regulation to award work of the character mentioned on a bid basis and work on the buildings of these banks cannot be correctly classified as Federal projects. Such work has no relationship to the governmental functions of the Federal Reserve System as a whole. The basis on which the work was awarded was a matter within the discretion of the board of directors of the Federal Reserve Bank of Dallas, and, while the Board of Governors of the Federal Reserve System has the responsibility of approving or disapproving proposed expenditures of the Federal Reserve banks, it does not appear otherwise than that the board of directors of the Federal Reserve Bank of Dallas were acting within their discretion in awarding this work in the manner stated."

Approved unanimously.

Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved:

  
Vice Chairman.