

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 21, 1937, at 11:00 a. 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
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Wingfield, Assistant General Counsel

Prior to the meeting there had been sent to each member of the Board a draft of an amendment to Regulation F which would permit the operation by national banks of common trust funds in the form in which it was revised, following consideration by the Board's staff of the comments and suggestions received from the Federal reserve banks and other interested parties in response to the request for such comments and suggestions which the Board had previously authorized be made. There had also been made available to each Board member copies of all of the comments and suggestions received from these various sources and a copy of a memorandum describing concisely the arguments for and against the issuance of an amendment to the regulation. Attention was called to the fact that there had been pending before the Board for some time a recommendation of a Special Committee of the American Bankers

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Association that the Board amend its Regulation F so as to permit the operation by national banks of common trust funds and that the question before the Board was what action it should take on the proposed amendment.

It was stated that, under the provisions of section 11(k) of the Federal Reserve Act, the Board is authorized to promulgate such regulations as it may deem necessary to enforce compliance with the provisions of section 11(k) and the proper exercise of fiduciary powers granted under the provisions of that section to national banks. It was also pointed out that, under the provisions of section 169 of the Revenue Act of 1936, common trust funds maintained by any bank in conformity with rules and regulations prevailing from time to time of the Board of Governors pertaining to the collective investment of trust funds by national banks would be entitled to certain tax exemptions and that, in order for common trust funds to obtain the tax exemptions provided for in this section of the Revenue Act, it would be necessary for the Board to amend its Regulation F so as to permit the operation of such funds by national banks for investment of other than odd amounts of funds of individual trusts.

It had also been brought to the attention of the Board that there had been in operation for some time a number of common trust funds; that no substantial inequities were known to have resulted to trusts from the operation of such funds; that the State of New York

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recently enacted a detailed statute covering the operation of common trust funds by banks and trust companies in that State; and that, in connection with the passage by Congress of the bill granting certain tax exemptions to common trust funds under the provisions of section 169 of the Revenue Act of 1936, the Finance Committee of the Senate made the following statement:

"The Finance Committee has adopted an amendment which will permit banks and trust companies qualifying under the section to operate common trust funds free of tax as corporations. It appears from recent court decisions that common trust funds, where the funds of many individual trusts are mingled, are taxable as corporations. Common trust funds serve a good social purpose in that they permit a bank or trust company to diversify the investment of such funds and result in a greater and more certain yield to those that desire to establish trust funds which are small in amount."

It was stated that the proposed amendment adhered to the theory upon which other provisions of Regulation F are based to the effect that the question what is a proper investment for funds of trusts is one for the determination of the State in which a particular national bank is located and that the Board should not by its regulation attempt to determine that question. It was further pointed out that the amendment contained such requirements as appeared to be practical to prevent inequities between trusts participating in a common trust fund and to prevent the operation of common trust funds as investment trusts for other than strictly fiduciary purposes. It was also pointed out that the proposed amendment permitted the operation of two types of common trust funds. One type would be for the purpose of investment

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of small amounts of funds of individual trusts which are too small to be invested separately to advantage and would not be subject to detailed regulatory requirements applicable to the operation of the second type of common trust funds, which would be for larger amounts of funds not exceeding \$25,000 or 10 per cent of the value of the assets of the common trust fund, whichever is less.

The Board's attention was called to the fact that there is now pending before it a suggestion recently received that it might be desirable to provide specifically in Regulation F for the operation of common trust funds the assets of which would be composed principally of mortgages. It was stated that the proponents of this suggestion had not yet submitted a detailed recommendation on this matter but that it was understood that they expected to do so at an early date.

Mr. Ransom stated that, after careful consideration he was of the opinion that, in the circumstances, there were three possible courses of action open to the Board: (1) to amend its Regulation F in the manner proposed in the draft of amendment submitted to the Board; (2) to decline to make any such amendment to Regulation F and to report to appropriate committees of Congress that the Board felt that the question whether or not national banks should be permitted to operate common trust funds merited further consideration by Congress; or (3) to decline to make any such amendment to Regulation F and to report to appropriate committees of Congress that, on the basis of an extensive investigation which the Board had made, it had arrived at the conclusion

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that it would not be in the public interest to issue a regulation permitting the operation of common trust funds by national banks and that it was recommended that Congress amend the law so as not to permit the operation of such funds by national banks. He also said that it was his recommendation that the first alternative be followed.

Mr. Ransom also suggested that the Board should amend subsections (b) and (c) of Section 6 of Regulation F in order to clarify the subsections which relate respectively to supervision by the directors of a national bank of its trust department, and to the trust investment committee.

Mr. Ransom then moved the adoption of the following resolution:

"RESOLVED, That, effective December 31, 1937, the Board approve and adopt the following amendments to Regulation F:

"SECTION 10. INVESTMENT OF TRUST FUNDS

* * * * *

"(c) Collective investment of trust¹ funds. -- Funds received or held by a national bank as fiduciary shall not be invested collectively² except as permitted in section 17 of this regulation.

* * * * *

¹Unless the context otherwise indicates, the term 'trust', as used in this section or in any other part of this regulation, refers to any fiduciary relationship which a national bank is authorized to enter into under the provisions of section 11(k) of the Federal Reserve Act.

²This does not prevent the bank from investing the funds of several trusts in a single real estate loan of the kind which could be made by the bank under the provisions of section 24 of the Federal Reserve Act, as amended, if the bank owns no participation in the loan and has no interest therein except in its capacity as fiduciary.

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"SECTION 17. COMMON TRUST FUNDS

"(a) In general. -- Funds received or held by a national bank as fiduciary may be invested collectively in any Common Trust Fund established and maintained in accordance with the provisions of this section whenever the laws of the State in which the national bank is located authorize or permit such investments by State banks, trust companies, or other corporations which compete with national banks.

"As used in this regulation the term 'Common Trust Fund' means a fund maintained by a national bank exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as trustee, executor, administrator, or guardian³.

"The purpose of this section is to permit the use of Common Trust Funds, as defined in section 169 of the Revenue Act of 1936,⁴ for the investment of funds held for true fiduciary purposes; and the operation of such Common Trust Funds as investment trusts for other than strictly fiduciary purposes is hereby prohibited. No bank administering a Common Trust Fund shall issue any document evidencing a direct or indirect interest in such Common Trust Fund in any form which purports to be negotiable or assignable. The trust investment committee of a bank operating a Common Trust Fund shall not permit any funds of any trust to be invested in a Common Trust Fund if it has reason to believe that such trust was not created or is not being used for bona fide fiduciary purposes.

"Common Trust Funds administered under this section shall be subject to the following requirements:

- (1) Assets in a Common Trust Fund shall be considered as assets held by the bank as fiduciary;
- (2) A bank administering a Common Trust Fund shall not invest any of its own funds in such Common Trust Fund and if a bank, because of a creditor relationship or any other reason, acquires any interest in a participation in a Common Trust Fund under its administration

"³As used in this regulation the term 'guardian' means guardian or committee of the estate of an infant, incompetent, or absentee, by whatever name known in the State in which a particular national bank is located.

"⁴For applicable provisions of the Revenue Act of 1936, see Appendix.

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"the participation shall be withdrawn on the first date on which such withdrawal can be effected in accordance with the provisions of this section;

(3) A bank administering a Common Trust Fund shall not have any interest⁵ in the assets held in such Common Trust Fund, other than in its capacity as fiduciary, except to the extent permitted for a temporary period as provided in the immediately preceding paragraph.

"(b) Common Trust Funds for investment of small amounts. -- Subject to all other provisions of this regulation except subsection (c) of this section, cash balances received or held by a bank in its capacity as trustee, executor, administrator, or guardian, which the bank considers to be individually too small to be invested separately to advantage may be invested, with the approval of the trust investment committee, in participations in a Common Trust Fund, provided the total investment of the funds of any one trust in one or more such Common Trust Funds shall not exceed \$1,200.

"(c) Common Trust Funds for general investment. -- Subject to all other provisions of this regulation except subsection (b) of this section, funds received or held by a bank in its capacity as trustee, executor, administrator, or guardian may be invested in participations in a Common Trust Fund. All participations in such a Common Trust Fund shall be on the basis of a proportionate interest in all of the assets of the Common Trust Fund.

(1) Common Trust Fund to be operated under written plan. -- Each Common Trust Fund administered by a bank shall be established and maintained in accordance with a written plan (referred to herein as the Plan) approved by a resolution of the bank's board of directors and approved in writing by competent legal counsel. The Plan shall provide that the Common Trust Fund shall be administered in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks, and shall contain full and detailed provisions not inconsistent with the provisions of such rules and regulations as to the manner in which the Common Trust

⁵A bank shall not be deemed to have an interest in assets in which collective investments are made merely because of the fact that the bank owns in its own right other stocks, or bonds or other obligations of a person, firm, or corporation, the stocks, or bonds or other obligations of which are among the assets of a Common Trust Fund.

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"Fund is to be operated, including provisions relating to the investment powers of the bank with respect to the Common Trust Fund, the allocation of income, profits and losses, the terms and conditions governing the admission or withdrawal of participations in the Common Trust Fund, the auditing and settlement of accounts of the bank with respect to the Common Trust Fund, the basis and method of valuing assets in the Common Trust Fund, the basis upon which the Common Trust Fund may be terminated, and such other matters as may be necessary to define clearly the rights of participants in the Common Trust Fund. A copy of the Plan shall be available at the principal office of the bank for inspection, during all banking hours, to any person having an interest in a trust any funds of which are invested in a participation in the Common Trust Fund; and upon reasonable request a copy of the Plan shall be furnished to such person.

(2) Trust investment committee to approve participation. -- No funds of a trust shall be invested in a participation in a Common Trust Fund without the approval of the trust investment committee. Before permitting any funds of any trust to be invested in a participation in a Common Trust Fund, the trust investment committee shall review the investments comprising the Common Trust Fund; and, if it finds that any such investment is one in which funds of such trust might not lawfully be invested at that time, funds of such trust shall not be invested in a participation in such Common Trust Fund.

At the time of making the first investment of funds of a trust in a participation in any Common Trust Fund, the bank shall send a notice of such investment to each person to whom an accounting ordinarily would be rendered.

(3) Common Trust Fund to be audited annually. -- A bank administering a Common Trust Fund shall, at least once during each period of twelve months, cause an audit to be made of the Common Trust Fund by auditors responsible only to the board of directors of the bank. The report of such audit shall include a list of the investments comprising the Common Trust Fund at the time of the audit which shall show the valuation placed on each item on such list by the trust investment committee of the bank as of the date of the audit, a statement of purchases, sales and any other investment changes and of income and disbursements since the last audit, and appropriate comments as to any investments in default

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"as to payment of principal or interest. The reasonable expenses of any such audit made by independent public accountants may be charged to the Common Trust Fund.

The bank shall, without charge, send a copy of the latest report of such audit annually to each person to whom an accounting of the trusts participating in the Common Trust Fund ordinarily would be rendered or shall send advice to each such person annually that the report is available and that a copy will be furnished without charge upon request.

(4) Value of assets to be determined periodically. -- Not less frequently than once during each period of three months the trust investment committee of a bank administering a Common Trust Fund shall determine the value of the assets in the Common Trust Fund. No participation shall be admitted to or withdrawn from the Common Trust Fund except on the basis of such valuation and on the date of the determination of such valuation or, if permitted by the Plan, within two business days subsequent to the date of such determination. No participation shall be admitted or withdrawn unless, in accordance with provisions of the Plan, prior to the date of the determination of such valuation, notice of intention to participate or to make such withdrawal shall have been given in writing to the bank administering the Common Trust Fund, or a written notation of the contemplated participation or withdrawal shall have been made in the records of the bank.

(5) Miscellaneous limitations. -- No funds of any trust shall be invested in a participation in a Common Trust Fund if such investment would result in such trust having an interest in the Common Trust Fund in excess of 10 per cent of the value of the assets of the Common Trust Fund, as determined by the trust investment committee, or the sum of \$25,000, whichever is less at the time of investment. If the bank administers more than one Common Trust Fund, no investment shall be made which would cause the aggregate investment of funds of any one trust in all such Common Trust Funds to exceed such limitations. In applying the limitations contained in this paragraph, if two or more trusts are created by the same settlor or settlors and as much as one-half of the income or principal or both of each trust is payable or applicable to the use of the same person or persons, such trusts shall be considered as one.

No investment for a Common Trust Fund shall be made

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"in stocks, or bonds or other obligations of any one person, firm, or corporation which would cause the total amount of investment in stocks, or bonds or other obligations issued or guaranteed by such person, firm, or corporation to exceed 10 per cent of the value of the Common Trust Fund, as determined by the trust investment committee, provided that this limitation shall not apply to investments in obligations of the United States or for the payment of the principal and interest of which the faith and credit of the United States shall be pledged.

No investment for a Common Trust Fund shall be made in any one class of shares of stock of any one corporation which would cause the total number of such shares held by the Common Trust Fund to exceed 5 per cent of the number of such shares outstanding. If the bank administers more than one Common Trust Fund no investment shall be made which would cause the aggregate investment for all such Common Trust Funds in shares of stock of any one corporation to exceed such limitation.

Any bank administering a Common Trust Fund shall have the responsibility of maintaining in cash and readily marketable securities⁶ such part of the assets of the Common Trust Fund as shall be deemed by the bank to be necessary to provide adequately for the needs of participating trusts and to prevent inequities between such trusts. In any event, prior to any admissions to or withdrawals from a Common Trust Fund, the trust investment committee shall determine what percentage of the value of the assets of a Common Trust Fund is composed of cash and readily marketable securities; and if such committee determines that, after effecting the admissions and withdrawals which are to be made pursuant to notice given as required in subdivision (4) of this subsection, less than 40 per cent of the value of the remaining assets of the Common Trust Fund would be composed of cash and readily marketable securities, no admissions to or withdrawals from

⁶A readily marketable security within the meaning of this section means a security which is the subject of frequent dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the security itself easy to realize upon by sale at any time.

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"the Common Trust Fund shall be permitted as of the valuation date upon which such determination is made, except that ratable distribution upon all participations is not prohibited.

(6) Distribution upon withdrawal of participation. --

When participations are withdrawn from a Common Trust Fund, distributions may be made in cash or ratably in kind, or partly in cash and partly ratably in kind, provided that all distributions as of any one valuation date shall be made on the same basis. Before any distribution in cash is made, the trust investment committee shall determine whether any investment remaining in the Common Trust Fund would be unlawful for one or more participating trusts if funds of such trusts were being invested at that time; and no distribution shall be made in cash until any such unlawful investment shall have been eliminated from the Common Trust Fund either through sale, distribution in kind, or segregation as provided in the subdivision immediately following hereafter.

(7) Segregation of investments. -- If for any reason an investment is withdrawn in kind from a Common Trust Fund for the benefit of all trusts participating in the Common Trust Fund at the time of such withdrawal and such investment is not distributed ratably in kind it shall be segregated and administered or realized upon for the benefit ratably of all trusts participating in the Common Trust Fund at the time of withdrawal.

(8) Management of Common Trust Fund and fees. -- A national bank administering a Common Trust Fund shall have the exclusive management thereof and shall not charge a fee for the management of the Common Trust Fund, or receive, either from the Common Trust Fund or from any trusts the funds of which are invested in participations therein, any additional fees, commissions, or compensations of any kind by reason of such participation. The bank shall not pay a fee, commission, or compensation out of the Common Trust Fund for management. Nothing in this paragraph shall be construed as prohibiting a bank from reimbursing itself out of a Common Trust Fund for such reasonable expenses incurred by it in the administration thereof as would have been chargeable to the respective participating trusts if incurred in the separate administration of such participating trusts.

(9) Effect of mistakes. -- No mistake made in good

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"faith and in the exercise of due care in connection with the administration of a Common Trust Fund shall be deemed to be a violation of this regulation if promptly after the discovery of the mistake the bank takes whatever action may be practicable in the circumstances to remedy the mistake.

NOTE: The reference in section 12 of Regulation F to 'subsection (c) of section 10' will be changed appropriately, footnotes to the proposed amendments to the regulation and subsequent footnotes in the regulation will be numbered appropriately, and the present section 17 will be renumbered 18.

"Amend the second sentence of subsection (b) of section 6 of Regulation F to read as follows:

'The acceptance of all trusts shall be approved by the board of directors or a committee appointed by such board, and the closing out or relinquishment of all trusts shall be approved or ratified by the board of directors or a committee appointed by such board; and such committee or committees shall be composed of capable and experienced officers or directors of the bank.'

"Amend the first sentence of subsection (c) of section 6 of Regulation F by a footnote thereto reading as follows:

'It is contemplated that there shall be a committee the members of which shall have a continuity of responsibility for the discharge of the duties of the committee. However, alternates appointed by the board of directors may serve in place of regular members of the committee who are unable to serve on account of vacations, illness, or other good and sufficient reasons if the minutes of the committee show the reason for the service of such alternate in place of the regular member.'

"APPENDIX

"In the reprint of Regulation F, the following will be included in the Appendix to Regulation F under the following description:

There are printed below certain provisions of the Revenue Act of 1936 which are pertinent to some of the

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"subject matter of this regulation.

SEC. 169. COMMON TRUST FUNDS.

(a) DEFINITIONS. - The term 'common trust fund' means a fund maintained by a bank (as defined in section 104) -

(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian; and

(2) in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks.

(b) TAXATION OF COMMON TRUST FUNDS. - A common trust fund shall not be subject to taxation under this title, Title IA, or section 105 or 106 of the Revenue Act of 1935, and for the purposes of such titles and sections shall not be considered a corporation.

(c) INCOME OF PARTICIPANTS IN FUND. - Each participant in the common trust fund shall include in computing its net income its proportionate share, whether or not distributed and whether or not distributable, of the net income of the common trust fund. The net income of the common trust fund shall be computed in the same manner and on the same basis as in the case of an individual. The proportionate share of each participant in the amount of interest specified in section 25(a) received by the common trust fund shall for the purposes of this Supplement be considered as having been received by such participant as such interest.

(d) ADMISSION AND WITHDRAWAL. - No gain or loss shall be realized by the common trust fund by the admission or withdrawal of a participant. The withdrawal of any participating interest by a participant shall be treated as a sale or exchange of such interest by the participant.

(e) RETURNS BY BANK. - Every bank (as defined in section 104) maintaining a common trust fund shall make a return under oath for each taxable year, stating specifically, with respect to such fund, the items of gross income and the deductions allowed by this title, and shall include in the return the names and

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"addresses of the participants who would be entitled to share in the net income if distributed and the amount of the proportionate share of each participant. The return shall be sworn to as in the case of a return filed by the bank under section 52.

(f) DIFFERENT TAXABLE YEARS OF COMMON TRUST FUND AND PARTICIPANT. - If the taxable year of the common trust fund is different from that of a participant, the proportionate share of the net income of the common trust fund to be included in computing the net income of the participant for its taxable year shall be based upon the net income of the common trust fund for any taxable year of the common trust fund (whether beginning on, before, or after January 1, 1936) ending within the taxable year of the participant.

SEC. 104. BANKS AND TRUST COMPANIES.

(a) DEFINITION. - As used in this section the term 'bank' means a bank or trust company incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia), of any State, or of any Territory, a substantial part of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is subject by law to supervision and examination by State or Federal authority having supervision over banking institutions."

During the ensuing discussion, at Mr. McKee's suggestion, consideration was given to the advisability of changing the proposed section 17 of the regulation to provide that an amount not to exceed 10 percent of any one trust might be invested in a common trust fund. Consideration was also given to a suggestion by the Chairman that Mr. McKee's proposal might be modified so as to permit investment in a common trust fund of an amount not exceeding \$25,000 for any one trust, except

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that when 10 percent of the trust exceeded that amount, up to 10 percent of the trust, but in no case more than \$100,000, could be invested in a common trust fund. In connection with these suggestions Mr. Wingfield stated that these changes appeared to be inconsistent with the theory that common trust funds are justified principally because they afford an opportunity for the proper investment of small amounts of trust funds which otherwise could not be invested to advantage.

After further discussion, Mr. Ransom's motion was approved unanimously. In taking this action it was understood that the amendments to the regulation would be released by the Board for publication in the morning papers of December 27, 1937, and that prior thereto the Federal reserve banks would be advised of the Board's action and furnished with copies of the amendments. It was also understood that the regulation as amended would be printed and a supply sent to the Federal reserve banks for distribution to interested parties. It was further understood that the statement for the press would be prepared by Messrs. Thurston, Morrill, Wyatt and Wingfield and released after approval by Mr. Ransom.

The meeting recessed at 12:50 p.m. and reconvened at 2:30 p.m. with the same attendance as at the morning session.

Before this meeting there had been called to the attention of the members of the Board a memorandum dated October 30, 1937, from Mr. Sneed which referred to the Board's letter of September 9, 1937, to Mr. O'Connor, Comptroller of the Currency, suggesting that a conference be held between members of the Board's staff and the Comptroller's office with a view to discussing certain proposed changes in the terms

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of waiver applicable to reports of affiliates of State member banks and national banks, respectively. The memorandum also read in part as follows:

"The Comptroller acceded to the Board's suggestion and a conference on the subject was held at the Board's offices on October 22. The proposed changes, as indicated on the copy of Form 220b sent to the Comptroller, were agreed upon exactly as drafted with one exception. The exception pertains to reports where the affiliate relationship is based solely on the fact that a majority of the affiliates' directors, trustees or other persons exercising similar functions are directors of any one member bank. As originally drafted the amended terms of waiver would waive reports of all such affiliates except where the affiliates' directors, trustees, or other such persons constitute one-half or more of the directors of the member bank. As modified at the conference the terms of waiver would waive reports of all such affiliates except where the affiliates' directors, trustees, or other such persons constitute more than one-fourth of the directors of the member bank. A smaller number of reports would be waived, of course, under the modified amendment than under the one originally proposed. The total number of reports that could possibly be waived, however, is relatively very small in any case -- less than 20 in the case of State bank members and less than 40 in the case of national banks.

"As indicated in my memorandum of August 5, 1937 on this subject, contained in the attached file, it is believed that the submission and publication of reports of an affiliate in cases such as those covered by the proposed changes in the existing terms of waiver are not necessary to disclose fully the relations between the affiliate and the member bank and the effect thereof upon the affairs of the bank. By the tentative adoption of the modified terms of waiver the Comptroller's office concurs in this view. It is, therefore, recommended that the Board adopt the amended terms of waiver of reports of affiliates of State bank members attached hereto, effective as of the date of the next call made upon State bank members for reports of condition pursuant to the provisions of Section 9 of the Federal Reserve Act."

After discussion, a draft of letter submitted with Mr. Smead's memorandum to the Presidents of all Federal reserve banks was approved unanimously in the following form:

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"The Board of Governors has amended the terms of waiver applicable to reports of affiliates of State bank members, printed on Form 220b, so as to make it unnecessary for such banks to submit and publish reports where the affiliate relationship is based solely on the fact that a majority of the affiliate's directors, trustees, or other persons exercising similar functions are directors of any one member bank, except where they constitute more than one-fourth of the directors of the member bank. The Board has also amended the terms of the waiver so as to permit any indebtedness of an affiliate to a member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government to be disregarded in determining whether or not the indebtedness of the affiliate to the member bank is in excess of the limitations prescribed in paragraphs (a) and (b) of the Board's waiver as now printed on Form 220b. A note for \$10,000 secured by \$5,000 par value of United States Government obligations should be regarded as fully secured to the extent of \$5,000 within the meaning of the above exemption. A copy of the amended terms of waiver is inclosed and a supply thereof is being sent you under separate cover.

"The amended terms of waiver will become effective as of the date of the next call made upon State bank members for condition reports pursuant to the provisions of Section 9 of the Federal Reserve Act. It is suggested, therefore, that each State bank member be furnished with a copy of the new terms of waiver at the time that the next call for condition reports is made. The amendments have been underscored in the complete copy of the new terms of waiver, a supply of which is being sent to you.

"The Board has been advised that the Comptroller's office has decided to adopt corresponding terms of waiver governing reports of affiliates of National banks, effective as of the next call made upon National banks for condition reports."

The amended terms of waiver inclosed
with the letter read as follows:

"(Adopted by the Board of Governors of the Federal Reserve System on December 21, 1937, effective as of the date of the next call for condition reports submitted by State bank members pursuant to the provisions of Section 9 of the Federal Reserve Act. These terms of

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"waiver supersede those printed on 'Form 220b, Revised February 1936'.)

"Pursuant to section 21 of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System waives the requirement for the submission of reports of affiliates (other than of holding company affiliates, as defined in section 2(c) of the Banking Act of 1933, as amended) of State bank members of the Federal Reserve System, except:

- (a) When indebtedness, if any, of the affiliate to the member bank had been carried for more than 6 months in the 12 months preceding the report date as an asset on the bank's books at a value in excess of \$5,000 or 1 percent of the bank's capital and surplus, whichever is the smaller, regardless of whether the affiliate is so indebted on the report date: Provided, that any indebtedness of the affiliate to the member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government may be disregarded in determining whether or not the indebtedness of the affiliate is in excess of the limitations prescribed herein.
- (b) When, on the report date, the affiliate is indebted to the member bank, or the member bank owns obligations of, or stock or other evidences of ownership in, the affiliate, and the aggregate amount of such indebtedness, obligations, stock, or other evidences of ownership is carried as an asset on the bank's books at a value in excess of \$5,000 or 1 percent of the member bank's capital and surplus, whichever is the smaller: Provided, that any indebtedness of the affiliate to the member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government may be disregarded in determining whether or not the indebtedness of the affiliate is in excess of the limitations prescribed herein.

"The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases (1) where the affiliate relationship is based solely on ownership or control of any voting

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"shares of the affiliate by a member bank as executor, administrator, trustee, receiver, agent, depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member bank, and (2) where the affiliate relationship is based solely on the fact that a majority of the affiliate's directors, trustees, or other persons exercising similar functions are directors of any one member bank, except where they constitute more than one-fourth of the directors of the member bank.

"The above provisions with respect to the waiving of the requirements for submission of reports of affiliates are subject to change whenever deemed advisable by the Board of Governors of the Federal Reserve System in order to require the submission of reports which are necessary to disclose fully relations between member banks and their affiliates and the effect thereof upon the affairs of member banks."

At this point Messrs. Paulger and Leonard, Chief and Assistant Chief, respectively, of the Division of Examinations, entered the room.

Reference was made to a memorandum dated December 21, 1937, from Mr. Smead, Chief of the Division of Bank Operations, submitting the requests of the Federal reserve banks for authority to pay dividends, to set aside certain reserves and to make certain charge-offs at the end of 1937, and recommending that the requests of the Federal reserve banks be approved to the extent set forth in the memorandum. The memorandum stated that during the period January 1 to December 15, 1937, a total profit of \$2,047,000 was realized on the sale of Government securities from the System Open Market Account; that these profits were shown as additions to current net earnings in the earnings and expense and profit and loss statements of the Federal reserve banks;

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and that the market value of the United States Government securities held in the System Open Market Account on December 15 was over \$19,000,000 in excess of book value. The memorandum also stated that under Section 13b of the Federal Reserve Act the Federal reserve banks were required to pay to the United States Treasury 2 percent yearly, if earned, on the total payments received from the Secretary of the Treasury for the purpose of making industrial advances and commitments; that it was estimated that the 2 percent payments this year would amount to approximately \$185,000; and that the balance of the net earnings resulting from the use of the funds received from the Secretary of the Treasury under Section 13b of the Federal Reserve Act, approximately \$65,000, would be transferred to Section 13b surplus. The memorandum stated further that it was estimated that after providing for all expenses, dividends, and special reserves and charge-offs, the Federal reserve banks would have net earnings remaining for transfer to surplus in accordance with the provisions of Section 7 of the Federal Reserve Act of approximately \$2,152,000.

At the conclusion of a discussion, the recommendations contained in Mr. Snead's memorandum were approved unanimously as follows:

1. Each Federal reserve bank was authorized to pay the usual semi-annual dividend at the close of the year.
2. The Federal Reserve Bank of Atlanta was authorized to set aside special reserves, of \$25,000 each on the Birmingham and Jacksonville Branch buildings for the purpose of bringing book values more in line with realiz-

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able values, and a special reserve of \$275,000 on the Atlanta building to cover the cost of air conditioning and repairs and alterations to the building as recently approved by the Board.

The Federal Reserve Bank of Minneapolis was authorized to set aside a special reserve of \$35,000 on the Minneapolis building to cover the cost of air conditioning, etc.; and to write the book value of the present premises of the Helena Branch down to the estimated market value of the land.

The Federal Reserve Bank of Dallas was authorized to charge-off \$5,003.50 on the site of the El Paso Branch to reduce the book value to the estimated market value (\$20,000); to charge-off \$25,000 on the Houston Branch building to cover the cost of refacing the building; and to set aside a special reserve of \$40,000 on the Dallas building for the purpose of bringing the present book value more in line with the estimated cost (\$483,925) of constructing a similar building for commercial purposes.

That the Federal Reserve Bank of San Francisco be notified that the Board does not approve of its setting aside a reserve of $2\frac{1}{2}$ percent annually on its banking houses at San Francisco, Los Angeles and Salt Lake City, but that if it wishes to write the book value of its buildings down to a point where the annual 2 percent depreciation charge will create a reserve equal to the book value in 40 years, the Board would consider a request therefor.

3. The Federal reserve banks listed below were authorized to set aside reserves on industrial advances and commitments in the approximate amounts shown, provided that in each case such reserves were necessary to cover estimated losses on specific advances and commitments outstanding:

Boston	\$ 78,000	Atlanta	\$ 25,000
New York	200,000	Minneapolis	11,000
Richmond	113,000	San Francisco	50,000

4. That the Federal Reserve Banks of St. Louis, Minneapolis and Kansas City be advised that, pursuant to the Board's letter of December 6, 1937, (S-50) their requests for authority to make certain transfers to reserves for losses

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not elsewhere provided for (principally reserves for contingencies) were not approved, but that the Board would offer no objection at this time to their charging their surplus accounts and crediting reserves for contingencies with approximately the amounts shown below which represent in the case of St. Louis and Kansas City the estimated net earnings remaining after payment of dividends and in the case of Minneapolis an amount equal to the net profit of the bank during 1937 on the sale of securities from the System Open Market Account:

St. Louis	\$125,000
Minneapolis	70,000
Kansas City	56,000

That the Federal Reserve Bank of San Francisco be authorized, in accordance with the Board's letter of December 6, 1937 (S-50), to charge its surplus account (Section 7) at the close of 1937 with \$157,000 for the purpose of increasing its reserve for contingencies.

5. The Federal reserve banks were authorized to charge-off the amount paid during 1937 (\$1,423,000) on assessments to cover the cost of the Board's new building.

In connection with the discussion of the above matters, reference was made to the present agreement under which funds are made available by the Treasury and the Federal reserve banks for industrial loans and commitments by the Federal reserve banks and it was suggested that a study should be made with a view to eliminating some of the difficulties inherent in the present arrangement. Mr. Szymczak stated that such a study was being made at the present time and that a report with respect thereto would be submitted to the Board in due course.

Consideration was given to a letter dated December 11, 1937, from President Harrison of the Federal Reserve Bank of New York stating that at the meeting of the board of directors of the bank on December 9

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it was voted to appoint Mr. John William McKeon as an Assistant Vice President of the bank and, subject to the approval of the Board of Governors, to fix his salary at the rate of \$12,000 per annum beginning January 1, 1938. The letter stated that it was essential that the service of a foreign exchange expert be provided to assist Mr. Knoke, Vice President in charge of the foreign department; that, while the bank would have preferred to promote a member of its staff for this purpose, it was found that none of the present employees combined the necessary ability, training and experience; and that, after careful investigation of available men outside of the bank, it was decided to employ Mr. McKeon who was an officer in the foreign department of the National City Bank of New York. After outlining the experience and qualifications of Mr. McKeon, the letter requested approval by the Board of the salary fixed for him in the new position by the directors of the Federal Reserve Bank.

Mr. Morrill stated that, in accordance with a request of the members of the Board, he had called Mr. Harrison on the telephone and had made inquiries with respect to the basis upon which the salary was fixed and that Mr. Harrison had stated that Mr. McKeon's present salary as Assistant Cashier in the foreign exchange trading department of the National City Bank was \$9,000, that Mr. McKeon had a substantial interest in the retirement system of the bank, and that he would be unwilling to accept employment by the Federal Reserve Bank of New York

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at a salary less than \$12,000 per annum. Mr. Harrison stated also that Mr. McKeon had been selected only after consideration for a period of several months of the possibilities of obtaining a competent man, that Mr. McKeon was the best available person, and that he, Mr. Harrison, had taken the matter up with Mr. James H. Perkins, Chairman of The National City Bank of New York, who had, although not desiring to lose Mr. McKeon, given his consent to Mr. McKeon's release. Mr. Harrison stated in addition that Mr. Knoke had been overworked for a long time and that it was necessary to provide an assistant to relieve him.

Mr. Davis moved that the Board approve the salary fixed by the board of directors for Mr. McKeon in the new position and that the Secretary be requested to advise President Harrison accordingly.

Carried unanimously.

There was then presented a letter dated December 18, 1937, from President Fleming of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to letter of November 6, 1937, addressed by Mr. Bethea, Assistant Secretary of the Board to the Board of Directors of The Union Bank of Commerce Company, Cleveland, Ohio, which was enclosed with a letter of the same date addressed to me, I submit the following for consideration of the Board of Governors of the Federal Reserve System:

"The Plan for Reorganizing the Affairs of The Union Trust Company has been somewhat altered since it was considered by the Board in formulating Conditions of Membership of The Union Bank of Commerce Company.

"It is now proposed that the capital funds of the bank mentioned in the Board's Condition 7 shall consist of

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"\$4,000,000 of Common Stock, \$1,000,000 of Preferred Stock to be purchased by the Reconstruction Finance Corporation, \$2,000,000 of Surplus, and \$1,000,000 of Undivided Profits. The original Plan provided for \$5,000,000 of Common Stock and no Preferred Stock. In Condition 7 it is stated:

'It is not contemplated that any of the provisions of this Condition of Membership will prevent equitable changes in the Plan which will not adversely affect the interests of the new bank.'

It is my judgment that the proposed change in the capital structure will not adversely affect the interests of the new bank and that, therefore, no amendment of this Condition 7 is required on account of this change.

"Condition 9 provides that 'Prior to admission to membership, the stock of Union Properties, Inc. which, under the provisions of the Plan, is to be owned by the bank, shall be assigned and delivered in trust by the bank to the Noteholders' Committee described in the Plan and such Noteholders' Committee shall be charged with the duty to hold and vote such stock in such manner as, in their absolute discretion, will serve the best interests of the holders of Creditors' Notes of Union Properties, Inc., as long as any of such Creditors' Notes are outstanding and, when all of such notes have been retired, to return the stock of Union Properties, Inc., to the bank.'

"The Plan as now formulated contains the agreement of The Union Bank of Commerce Company 'That it will transfer and assign the stock of Union Properties, Inc., which will be received by it upon the consummation of this Plan, to the members of the Noteholders' Committee and their successors on such committee to be held by them under a Voting Trust Agreement which will continue in force until the face amount and participating rights of the Creditors' Notes are paid or satisfied as provided in this Plan. Under said Voting Trust Agreement, said Noteholders Committee as Voting Trustees or a majority of them, shall have the unrestricted right to vote such stock for the election of directors of Union Properties, Inc., except and provided that said Trustees shall agree with the new Bank that they will at all times, and from time to time, elect and maintain as a full minority of the Board of Directors of Union Properties, Inc., persons designated to them for such offices by the new Bank; and provided, further, that said Trustees will agree with the new Bank that they will not vote said stock

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"for any merger, consolidation, reorganization, dissolution, change in the capital structure or corporate purposes of Union Properties, Inc., or for the sale in bulk of all or substantially all of the property and assets of Union Properties, Inc., without the consent in writing of the new Bank."

"You will note that the assignment of stock as provided in this paragraph of the Plan is, upon terms, different from those specified in said Condition 9 in that -

(a) the voting power of the Noteholders' Committee is limited by requirement that an Agreement shall be made by the Noteholders' Committee as Voting Trustees with the new Bank that they will at all times and, from time to time, elect and maintain as a full minority of the Board of Directors of Union Properties, Inc., persons designated to them for such offices by the new Bank; and

(b) said Trustees will agree with the new Bank that they will not vote said stock for any merger, consolidation, reorganization, dissolution, change in the capital structure or corporate purposes of Union Properties, Inc., or for the sale in bulk of all or substantially all of the property and assets of Union Properties, Inc., without the consent in writing of the new Bank.

"It has seemed to me that these limitations constitute such a variation from the provisions of said Condition 9 as to require consideration thereof by the Board and the determination by it whether this change is inconsistent with the objectives sought to be achieved by the Board in prescribing said Condition 9.

"In this connection, I invite the Board's consideration of the fact that whereas in the draft of the Plan considered by the Board it was provided that after the face amount of the Notes issued to depositors and other creditors for 20% of the face amount of their claims had been paid or satisfied the residue of the assets in Union Properties, Inc., belonged to the new Bank.

"The provision is now that after the face amount of the Creditors' Notes has been paid or satisfied, any value realized from the assets remaining in Union Properties, Inc., shall be participated in equally by the holders of Creditors' Notes then outstanding and the new Bank.

"The purpose of said Condition 9 to place control of the stock of Union Properties, Inc. in the Noteholders' Committee in order to have action with respect thereto independent of any interests except those of the holders of

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"the Creditors' Notes, is clearly stated in said Condition 9. The provision of the Plan quoted above is in conflict with this purpose to the extent that at all times there is a minority representation of the Bank provided on the Board of Directors of Union Properties, Inc., and that in unusual and important transactions the majority of the Board of Directors of this Company elected to represent the Noteholders is not free to act if their judgment differs from that of the Bank.

"We believe that the new Bank should be permitted to nominate a minority of the Board of Directors of Union Properties, Inc., and that the Voting Trustees should be required to elect such nominees to that Board. Such representation of the Bank upon the Board of Directors of Union Properties, Inc., seems to us to be warranted because of the potential interest of the Bank in the portion of the proceeds of the liquidation of the Company after payment of the creditors notes. We feel, however, that to impose a restriction upon freedom of action by the Board of Directors of Union Properties, Inc., in important transactions involving the interests of the noteholders, in the manner provided by the portion of the Plan quoted above will result in defeating the purposes of the requirements of Condition 9. Therefore, it is our recommendation that the amendment to Condition 9, if made by the Board, should be only to the extent of permitting the Bank to nominate the minority members of the Board of Directors of Union Properties, Inc."

At the request of Mr. McKee, Mr. Leonard reviewed the consideration which had been given by the Division of Examinations to the recommendations contained in the above letter and at the conclusion of the ensuing discussion Mr. McKee moved that President Fleming be advised by wire that the Board concurs in the position taken and the recommendations contained in his letter; that it was not believed necessary to amend condition of membership number 9 in order to permit the proposed minority representation on the board of directors of the Union Properties, Incorporated; and that provision for such representation along the lines outlined in President Fleming's letter which would be satisfactory to him

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and to counsel for the Federal Reserve Bank of Cleveland would not be considered to be in violation of that condition.

Carried unanimously.

Thereupon Messrs. Clayton, Thurston, Wyatt, Smead, Paulger, Leonard and Wingfield left the meeting.

Consideration was given to recommendations of the Personnel Committee with respect to the designation of Chairmen and Federal Reserve Agents at Federal reserve banks, the appointment of a Deputy Chairman at a Federal reserve bank, the appointment of Class C directors and directors at branches of Federal reserve banks, and the following unanimous actions were taken:

Howard Kellogg was appointed a director of the Buffalo Branch of the Federal Reserve Bank of New York for a term of three years beginning January 1, 1938.

G. C. Brainard was appointed a Class C director of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1938, and Deputy Chairman at the bank for the year 1938.

S. B. Sutphin was appointed a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for a term of two years beginning January 1, 1938.

H. S. Wherrett was appointed a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a term of two years beginning January 1, 1938.

Robert Lassiter was appointed a Class C director of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1938. He was also designated as Chairman and Federal Reserve Agent at the bank on an honorarium basis for the year 1938 and his compensation as Chairman and Federal Reserve Agent was fixed on the uniform basis fixed for the same position at other Federal reserve banks, i. e., at the same amount as the aggregate of the fees payable during the

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same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee and other committees of the board of directors.

W. F. Roberts was appointed a director of the Baltimore Branch of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1938.

G. M. Wright was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for a term of three years beginning January 1, 1938.

Donald Comer was appointed a Class C director of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1938.

F. H. Neely, Class C director of the Federal Reserve Bank of Atlanta whose term expires on December 31, 1938, was designated as Chairman and Federal Reserve Agent at the bank on an honorarium basis for the year 1938 and his compensation as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at other Federal reserve banks, i.e., at the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee and other committees of the board of directors.

E. L. Norton was appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1938.

B. W. Haynes was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for a term of three years beginning January 1, 1938.

F. J. Lewis was appointed a Class C director of the Federal Reserve Bank of Chicago for a term of three years beginning January 1, 1938.

A. C. Marshall was appointed a director of the Detroit Branch of the Federal Reserve Bank of Chicago for a term of three years beginning January 1, 1938.

I. N. Barnett, Jr., was appointed a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for a term of three years beginning January 1, 1938.

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H. D. Myrick was appointed a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a term of two years beginning January 1, 1938.

A. K. Mitchell was appointed a director of the Denver Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1938.

Lee Clinton was appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1938.

W. H. Schellberg was appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1938.

J. B. Martin was appointed a director of the El Paso Branch of the Federal Reserve Bank of Dallas for a term of three years beginning January 1, 1938.

G. G. Chance was appointed a director of the Houston Branch of the Federal Reserve Bank of Dallas for a term of three years beginning January 1, 1938.

Carl V. Newman was appointed a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1938.

G. T. Gerlinger was appointed a director of the Portland Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1938.

H. S. Auerbach was appointed a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1938.

C. F. Larrabee was appointed a director of the Seattle Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1938.

S. A. Easton was appointed a director of the Spokane Branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1938.

In addition to these appointments, it was decided to appoint Owen D. Young as a Class C director of the Federal Reserve Bank

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of New York for a term of three years beginning January 1, 1938, but to withhold advice of the appointment pending a decision on whether he would be tendered designation as Chairman and Federal Reserve Agent or appointment as Deputy Chairman at the bank for the coming year.

At this point Mr. Carpenter withdrew from the room.

Consideration was given to a memorandum dated December 20, 1937, from the Personnel Committee with respect to the budget of expenditures of the Board for the year 1938 and for changes in salaries of members of the staff for the coming year. The memorandum stated that the Committee had carefully reviewed the proposed budget, copies of which were furnished to each member of the Board on December 1, 1937, and recommended that, with certain changes, the budget be approved.

After a discussion of the proposed budget, the recommendations of the Personnel Committee, together with changes in the salaries of four employees in the Board members offices, were approved unanimously as follows:

Salaries of members of the Board's staff were increased in the amounts shown below, effective January 1, 1938:

BOARD MEMBERS OFFICES:

		<u>From</u>	<u>To</u>
Alvin C. Walters	Secretary to Mr. McKee	\$3,000	\$3,300
Madeleine E. Benton	Secretary to Mr. Thurston	2,100	2,300
Frederica G. Ritter	Secretary to Mr. Clayton	1,920	2,000
William H. Drake	Messenger	1,320	1,380
Frederick L. Frost	Messenger	1,320	1,380
Sidney Washington	Messenger	1,320	1,440

SECRETARY'S OFFICE:

S. R. Carpenter	Assistant Secretary	\$7,000	\$7,500
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SECRETARY'S OFFICE: (Cont'd)

		From	To
J. Edward Kilgore	Administrative Assistant	\$2,700	\$3,000
R. K. Thompson	General Assistant	2,600	2,800
Ruth A. Westergren	Personnel Clerk	2,400	2,500
John C. Brennan	Secretary to Mr. Bethea	2,000	2,400
Sarah L. Brissenden	Secretary to Mr. Carpenter	1,860	1,980
Elva H. McKnew	Clerk	1,560	1,800
(Mrs. McKnew's designation was changed from "Stenographer" to "Clerk", effective January 1, 1938)			
Helen G. Lavelle	Clerk	1,500	1,600
(Miss Lavelle's designation was changed from "Stenographer" to "Clerk", effective January 1, 1938)			
Louise Thomason	Typist	1,440	1,500
Bert C. Dedman, Jr.	Assistant Index Clerk	1,080	1,380
Walter E. Paul	Page	1,080	1,140
John M. Poundstone	Page	1,080	1,140
(Mr. Poundstone's designation was changed from "Messenger" to "Page", effective January 1, 1938)			

Stenographic Section

D. Jeanne Krieger	Chief Stenographer	2,000	2,100
(Miss Krieger's designation was changed from "Stenographer" to "Chief Stenographer", effective January 1, 1938)			
Claire A. Bastable	Stenographer	1,560	1,620
Lucy E. Fulwiler	Stenographer	1,560	1,620
Dorothy E. Peeples	Stenographer	1,560	1,620
Vera Romans	Stenographer	1,500	1,620
Dorothy M. Parkhill	Stenographer	1,500	1,560
Margaret Lee Higdon	Stenographer	1,440	1,560

Files Section

Edna B. Poeppel	Chief File Clerk	2,600	2,900
Scott D. Kellogg	File Clerk	1,740	1,920
John N. Kiley, Jr.	File Clerk	1,740	1,920
Alice E. Kidwell	File Clerk	1,660	1,720
Esther G. Crews	File Clerk	1,560	1,620
Bernice O'Brien	File Clerk	1,500	1,620

The designation of Mrs. Mary H. Watson was changed from "Assistant File Clerk" to "File Clerk", effective January 1, 1938.

The retention of the following file clerks, who were employed early in 1937, on a temporary basis, each with

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SECRETARY'S OFFICE: (Cont'd)

	<u>From</u>	<u>To</u>
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Files Section (Cont'd)

salary at the rate of \$1,200 per annum, to assist in the consolidation of the files, was approved for such period (which will probably run into 1939) as may be necessary to complete the work incident to consolidating and improving the condition of the files:

Hazel I. Coffman
 Ruby A. Pitzer
 Elizabeth W. Thompson

Service FunctionsTelegraph

The designation of Mr. E. T. Mulranen was changed from "Telegraph Operator" to "Chief Telegraph Operator", effective January 1, 1938.

The designation of Mr. Warren Kidwell was changed from "Messenger" to "Page", effective January 1, 1938.

Telephone

The designation of Miss Catherine M. Burke was changed from "Telephone Operator" to "Chief Telephone Operator", effective January 1, 1938.

Mail

F. L. Watkins	Mail Clerk	\$1,500	\$1,560
(Watkins' designation was changed from "Messenger-Mimeograph Operator" to "Mail Clerk", effective January 1, 1938)			
William E. Pinn	Mail Clerk	1,080	1,140
(Pinn's designation was changed from "Messenger" to "Mail Clerk", effective January 1, 1938)			
Robert H. Jones	Mail Clerk	960	1,080
(Jones' designation was changed from "Messenger" to "Mail Clerk", effective January 1, 1938)			

The designation of Henry McDowell was changed from "Chief Messenger" to "Chief Mail Clerk", effective January 1, 1938.

Duplicating

Allison M. Crump	Photostat Operator	1,440	1,620
(Mr. Crump's designation was changed from "Supply & Duplicating Clerk" to "Photostat Operator", effective January 1, 1938)			

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SECRETARY'S OFFICE: (Cont'd)Service Functions (Cont'd)Duplicating (Cont'd)

		<u>From</u>	<u>To</u>
Nelson S. Dyson	Mimeograph Operator	\$1,380	\$1,440

The designation of Mr. Raymond C. Twomey was changed from "Clerk" to "Chief Mimeograph Operator", effective January 1, 1938.

The designation of Gordon P. Johnson was changed from "Messenger" to "Mimeograph Operator", effective January 1, 1938.

Miscellaneous

Richard T. Meyer	Chauffeur	1,380	1,440
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In approving the above recommendation with respect to Mr. Meyer, it was understood that he would be used exclusively for the purpose of driving either of the official cars during the hours he is on duty, and that a messenger or other employee of the Board should not be used to drive one of the official cars when Mr. Meyer is available for that purpose.

Walter L. Peregory	Supply Clerk	1,320	1,440
John M. Costello	Page	1,080	1,140

(Mr. Costello's designation was changed from "Messenger" to "Page", effective January 1, 1938)

James Kolinski	Page	1,080	1,140
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Building Operation and Maintenance

Felix E. Spurney	Building Manager	4,500	5,000
J. Watson Belt	Chief Engineer	3,200	3,400
Charles D. Lindamood	Second Assistant Engineer	2,000	2,060

(Mr. Lindamood's designation was changed from "General Utility Engineer" to "Second Assistant Engineer", effective January 1, 1938)

Charles W. Storm	Carpenter	1,800	1,920
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The designation of Mr. Herbert W. Young was changed from "First Engineer" to "First Assistant Engineer", effective January 1, 1938.

The designation of Mr. Joseph T. Glotfelty, Jr., was changed from "Apprentice Engineer" to "Third Assistant Engineer", effective January 1, 1938.

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SECRETARY'S OFFICE: (Cont'd)

		<u>From</u>	<u>To</u>
<u>Building Operation and Maintenance (Cont'd)</u>			
<u>Guards</u>			
Louis N. Bertol	Captain of the Guard	\$1,800	\$1,900

The designations of Messrs. E. F. Anderson, J. H. Heher and B. M. Unger were changed from "Night Watchman" to "Guard", effective January 1, 1938.

<u>Porters</u>			
Umberto F. Salvetti	Porter	1,080	1,140
<u>Charwomen</u>			
Alma S. Crozier	Supervisor of Charwomen	1,080	1,140

OFFICE OF FISCAL AGENT:

Oliver E. Foulk	Fiscal Agent	\$4,200	\$4,500
Josephine E. Lally	Deputy Fiscal Agent	2,400	2,600

OFFICE OF GENERAL COUNSEL:

J. P. Dreibelbis	Assistant General Counsel	\$9,000	\$10,000
Frederic Solomon	Assistant Counsel	4,200	4,500
Everett Entriken	Law Clerk	2,100	2,200
Jerome W. Shay	Law Clerk	2,000	2,100
Edna B. Boiseau	Secretary	1,740	1,800
(Mrs. Boiseau's designation was changed from "Stenographer" to "Secretary", effective January 1, 1938)			
Richard A. Hill	File Clerk	1,740	1,800
(Mr. Hill's designation was changed from "Stenographer" to "File Clerk", effective January 1, 1938)			
Lucy Inabnett	Secretary	1,620	1,800
(Miss Inabnett's designation was changed from "Stenographer" to "Secretary", effective January 1, 1938)			
Mary A. Morgan	Stenographer	1,680	1,740
John H. Hunley	Messenger	1,320	1,380

DIVISION OF RESEARCH AND STATISTICS:

Woodlief Thomas	Assistant Director	\$8,500	\$9,000
George W. Blattner	Assistant Director	7,200	7,500
Walter R. Gardner	Senior Economist	7,200	7,500
Leroy M. Piser	Senior Economist	4,600	4,800

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DIVISION OF RESEARCH AND STATISTICS: (Cont'd)

		From	To
Chandler Morse	Senior Economist	\$4,000	\$4,200
Henry H. Edmiston	Senior Economist	4,000	4,100
(Mr. Edmiston's designation was changed from "Junior Economist" to "Senior Economist", effective January 1, 1938)			
Maxwell R. Conklin	Senior Economist	3,800	4,000
Victor M. Longstreet	Senior Economist	3,800	4,000
Martin Krost	Junior Economist	3,400	3,600
A. B. Hersey	Junior Economist	3,300	3,500
John O. Bergelin	Junior Economist	3,300	3,400
Roland I. Robinson	Junior Economist	3,300	3,400
Clayton Gehman	Junior Economist	3,000	3,100
H. C. Barton, Jr.	Junior Economist	2,900	3,000
Frederick C. Dirks	Junior Economist	2,900	3,000
George P. Doherty	Junior Economist	2,900	3,000
Gunhild Anderson Kenny	Junior Economist	2,900	3,000
Mary Sibley Evans	Junior Economist	2,800	3,000
Raymond J. Collier	Economic Assistant	2,300	2,400
Viola A. Hodson	Clerk	2,200	2,300
Mary M. Maroney	Economic Assistant	2,200	2,300
Katheryne P. Reil	Economic Assistant	2,200	2,300
Ella W. Henry	Draftsman	2,000	2,200
George Jaszi	Economic Assistant	2,000	2,200
Robert D. Fenn	Economic Assistant	2,000	2,100
Rosa Ernst	Economic Assistant	1,920	2,000
Harvey Robinson	Library Assistant	1,900	2,000
Helen R. Grunwell	Draftsman	1,800	1,900
Lyndall H. Coffey	Economic Assistant	1,780	1,900
(Miss Coffey's designation was changed from "Clerk" to "Economic Assistant", effective January 1, 1938)			
Eleanor J. Stockwell	Economic Assistant	1,560	1,800
(Miss Stockwell's designation was changed from "Clerk" to "Economic Assistant", effective January 1, 1938)			
Norma F. Wills	Secretary	1,680	1,780
Joseph Silverman	Clerk	1,620	1,700
Elizabeth P. Tewksbury	Clerk	1,620	1,700
Beulah S. Baum	Stenographer	1,560	1,620
Eleanor M. Esser	Library Assistant	1,540	1,620
Rose H. Schultz	Secretary	1,540	1,620
Lucille Barnett	Clerk	1,540	1,600
Cherie L. Hoebreckx	Clerk	1,540	1,600
Jane Wenger	Clerk	1,540	1,600

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DIVISION OF RESEARCH AND STATISTICS: (Cont'd)

		<u>From</u>	<u>To</u>
M. Elizabeth Barnett	Clerk	\$1,440	\$1,540
Catherine M. Counts	Clerk	1,440	1,540
Alice Swindlehurst	Clerk	1,440	1,540
Muriel G. Webb	Clerk	1,440	1,540
Charles G. Trescott	Messenger	1,320	1,400
Raymond Van Brakle	Messenger	1,020	1,140

The designation of Miss Julia Haigh was changed from "Secretary" to "Clerk-Stenographer", effective January 1, 1938.

DIVISION OF BANK OPERATIONS:

Mortimer B. Daniels	Technical Assistant	\$4,100	\$4,400
David M. Kennedy	Technical Assistant	3,600	3,900
(Mr. Kennedy's designation was changed from "Clerk" to "Technical Assistant", effective January 1, 1938)			
John R. Farrell	Clerk	2,700	3,000
Jewell B. Smith	Secretary	2,100	2,200
Laura Weihe	Secretary	1,680	1,800
Louise E. Evans	Stenographer	1,680	1,740
Sybil E. Hainer	Stenographer	1,680	1,740
Avelyn Buchanan	Secretary	1,620	1,740
Tressa Brown	Stenographer	1,620	1,680
Evelyn Bryan	Comptometer Operator	1,620	1,680
Evelyn M. Lawrence	Stenographer	1,620	1,680
Dora A. Martin	Comptometer Operator	1,620	1,680
Zelpha M. Wright	Comptometer Operator	1,620	1,680
Margaret M. Kroh	Comptometer Operator	1,560	1,620
Beatrice S. McLelland	Comptometer Operator	1,440	1,560
Bishop Hart	Messenger	840	960

DIVISION OF EXAMINATIONS:

H. O. Koppang	Examiner	\$6,000	\$6,500
Dwight L. Crays	Examiner	5,400	5,500
William B. Pollard	Examiner	5,400	5,500
Clarence C. Hostrup	Examiner	5,100	5,300
Elisha L. Brien, Jr.	Examiner	4,900	5,000
Laurence H. Jones	Examiner	4,900	5,000
Glenn M. Goodman	Examiner	4,600	4,800

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DIVISION OF EXAMINATIONS: (Cont'd)

		<u>From</u>	<u>To</u>
Lawrence E. Skees	Examiner	\$4,500	\$4,600
J. R. Radford, Jr.	Examiner	4,300	4,400
W. J. McClelland	Examiner	4,200	4,300
P. J. Winkler	Examiner	4,200	4,300
Gordon R. Murff	Examiner	3,300	3,700
Charles H. Bartz	Assistant Examiner	3,300	3,400
Harold J. Newman	Assistant Examiner	3,300	3,400
Harvey J. Wishart	Assistant Examiner	3,300	3,400
Joseph A. Turnbull	Assistant Examiner	3,200	3,300
Thomas P. Howard	Assistant Examiner	2,800	2,900
Marguerite C. Maynard	Secretary to Mr. Paulger	2,700	2,800
Andrew W. Lee	Assistant Examiner	2,500	2,600
Olga W. Bangs	Stenographer	2,300	2,400
John C. Franzoni	Assistant Examiner	2,300	2,400
Charles A. Strahorn	Assistant Examiner	2,300	2,400
Lulu C. Richardson	Stenographer	2,200	2,300
Julia Benton Hopkins	Assistant Examiner	2,000	2,100
R. Thornton Snow	Assistant Examiner	2,000	2,100
Harold F. Stone	Stenographer	1,900	2,000
John T. Boysen	Assistant Examiner	1,800	1,900
Arch B. Brown	Stenographer	1,800	1,900
Thomas B. O'Donnell	Assistant Examiner	1,800	1,900
Elnyr D. Newcome	Stenographer	1,760	1,820
Helene L. Kearny	Stenographer	1,680	1,740
Nancy R. Porter	Stenographer	1,680	1,740
Frances Scott	Stenographer	1,660	1,740
Eleanor C. Giovanetti	Stenographer	1,500	1,560
Benjamin D. Berry	Messenger	1,200	1,320

DIVISION OF SECURITY LOANS:

Lewis N. Dembitz	Special Assistant	\$3,300	\$3,600
(Mr. Dembitz' designation was changed from "Research Assistant" to "Special Assistant", effective January 1, 1938)			
Bonnar Brown	Special Assistant	3,200	3,600
Vladimir B. Grinioff	Research Assistant	2,300	2,400
Florence C. O'Hare	Secretary	2,200	2,300
Catherine A. Hall	Economic Assistant	1,900	2,100
Catherine L. Schmidt	Secretary	1,680	1,800
Otto H. Branic	Messenger	1,080	1,140

The following proposed budget for the year 1938, which includes personal services adjusted

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in accordance with the salary changes set forth above, was approved unanimously:

Personal services:

Salaries	\$1,228,662.50	
Retirement System contributions for current service	54,988.99	
Sub-total	\$1,283,651.49	
Retirement System contributions for prior service	81,685.44	\$1,365,336.93

Non-personal services:

Traveling Expenses	\$ 84,250.00	
Postage and Expressage	1,703.00	
Telephone and Telegraph	80,470.00	
Printing and Binding	50,475.00	
Stationery and Supplies	17,922.00	
Furniture and Equipment	13,263.00	
Books and Subscriptions	6,100.00	
Light, Heat, Power and Water	31,000.00	
Repairs and Alterations to Building	2,000.00	
Rental and Repairs (Furniture and Equipment)	2,330.00	
Medical Service and Supplies	475.00	
Insurance	245.00	
Miscellaneous	7,825.00	298,058.00
		\$1,663,394.93

Consideration was then 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 December 18, 1937, were approved unanimously.

Memorandum dated December 20, 1937, from Mr. Wyatt, General Counsel, recommending the appointment of Mr. Kit Williams as Assistant Counsel, with salary at the rate of \$7,500 per annum, effective as of

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the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter dated December 20, 1937, to Mr. John Pritchard, reading as follows:

"In accordance with the request contained in your letter of December 18, the Board of Governors of the Federal Reserve System is accepting your resignation effective December 31, 1937.

"I wish to take this opportunity to express to you our appreciation of the high character of the services you have rendered and the conscientious manner in which your responsibilities have been discharged."

Approved unanimously.

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

"Reference is made to your letter of December 10, 1937, in which you submit to the Board for consideration the matter of a donation of \$5,000 to the United Hospital Fund of New York City, as authorized by the Board of Directors of your bank.

"It is stated in your letter that the United Hospital Fund is a community effort to finance the work of 92 voluntary hospitals in New York which are not run for profit; that the request for financial assistance was considered by your directors primarily from the viewpoint of employee welfare and employee relationships; that the directors continue to feel that the bank is interested in and is benefitted by having adequate free, or partially free, hospital service available for the care, among others, of the bank's employees; that while contributions to the fund by the bank do not, in themselves, make available directly and solely to the employees of the bank any hospital services free of charge, or at a charge less than they would otherwise have to pay, the hospitals associated with the fund do provide a large amount of free or partially free service to patients, among whom might

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"be included employees of the bank; and that if the hospitals of New York City lack adequate financial resources, there may be a reduction in the standards, and perhaps even in the availability of the facilities, of the Associated Hospital Service, (a non-profit corporation started by the United Hospital Fund, for the purpose of providing hospitalization to its subscribers in case of need), to which more than 700 of the bank's employees are now subscribing.

"It has long been the opinion of the Board that, in view of the peculiar relationship of the Federal Reserve banks to the Government, it should not authorize donations of Federal Reserve bank funds for purposes, no matter how worthy, which are not directly related to the conduct of the affairs of the banks. While the Board sympathizes, of course, with the purposes of such organizations as the United Hospital Fund, it feels that it should not depart from the position which it has taken in the past.

"The Board regrets that it cannot approve a donation by your bank to the fund in question."

Approved unanimously.

Thereupon the meeting adjourned.

Whesley Morris
Secretary.

Approved:

W. S. Coates
Chairman.