

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 31, 1937, at 10:45 a. m.

PRESENT: Mr. Eccles, Chairman  
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

There were presented further recommendations of the Personnel Committee with respect to the appointment of Class C directors and designation of Chairmen and Federal Reserve Agents and Deputy Chairmen at Federal reserve banks and, after a discussion, the following unanimous actions were taken:

H. S. Dennison was appointed Deputy Chairman of the Federal Reserve Bank of Boston for the year 1938.

In accordance with the decision reached at the meeting of the Board on December 21, 1937, Owen D. Young was appointed a Class C director of the Federal Reserve Bank of New York for a term of three years beginning January 1, 1938, and as Deputy Chairman for the coming year.

T. B. McCabe was appointed Deputy Chairman of the Federal Reserve Bank of Philadelphia for the year 1938.

W. G. Wysor was appointed Deputy Chairman of the Federal Reserve Bank of Richmond for the year 1938.

R. E. Wood was appointed Deputy Chairman of the Federal Reserve Bank of Chicago for the year 1938.

J. J. Thomas was designated as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Kansas City on an honorarium basis for the year 1938 and his compensation as Chairman and Federal Reserve

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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.

J. H. Merritt was designated as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Dallas 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.

At this point Mr. Thurston left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, stating that the Board approves the establishment without change by the New York bank on December 30, 1937, and by the Philadelphia and Atlanta banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"In accordance with the recommendation contained in your letter of December 23, the Board approves, effective January 1, 1938, the payment of a salary at the rate of \$3,000 per annum to Mr. Dana D. Sawyer, Alternate Assis-

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"tant Federal Reserve Agent at your bank."

Approved unanimously.

Letter to Mr. Nardin, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the recommendation contained in your letter of December 23, the Board approves, effective January 1, 1938, salaries of the Assistant Federal Reserve Agent, the two Alternate Assistant Federal Reserve Agents at St. Louis, and the Federal Reserve Agent's Representative at Memphis as indicated below:

<u>Name</u>	<u>Title</u>	<u>Annual salary</u>
F. S. Parker	Assistant Federal Reserve Agent	\$2,700
W. J. Hagedorn	Alternate Asst. Federal Reserve Agent	1,800
E. A. Zehner	Alternate Asst. Federal Reserve Agent	1,800
L. T. Walker	Federal Reserve Agent's Representative Memphis Branch	2,940"

Approved unanimously.

Telegram to Mr. McKinney, President of the Federal Reserve Bank of Dallas, 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 application of "The Winters State Bank", Winters, Texas, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas. The telegram also stated that it was assumed that Counsel for the Dallas bank was satisfied that the agreement under which the subject bank purchased certain assets from, and assumed certain liabilities of, The First National Bank of Winters was legally



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effective under the laws of Texas, and, in accordance with the Board's letter of July 1, 1933, requested advice to this effect:

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

Approved unanimously.

Telegram to Mr. Stryker, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Marine Midland Corporation", Jersey City, New Jersey, entitling such organization to vote the stock which it owns or controls of the following banks:

- "First National Bank & Trust Company of Elmira", Elmira, New York,  
"The Citizens National Bank of Waverly", Waverly, New York,  
"Watkins State Bank", Watkins Glen, New York,  
"The Nyack National Bank and Trust Company", Nyack, New York.

at all meetings of shareholders of such bank. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "(1) Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385, except that (a) paragraphs numbered 1, 2, 4 and 5 shall be omitted and remaining numbered paragraphs appropriately renumbered, and (b) all lettered paragraphs and introductory sentence immediately preceding them shall be omitted.

- "(2) Prior to issuance of general voting permit authorized

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"herein, applicant shall deliver to you in duplicate Exhibit L (Form P-3) executed by Barnard Development Company Incorporated and Exhibit N (Form P-4) executed by applicant and consented to by Barnard Development Company Incorporated, or furnish assurances satisfactory to you that it will deliver such exhibits to you within 30 days after issuance of general voting permit authorized herein or furnish evidence in writing satisfactory to counsel for Federal Reserve Bank of New York that such exhibits are not required by Board's Regulation P and directions on printed forms referred to.

- "(3) Prior to issuance of general voting permit authorized herein, Federal Reserve Bank of New York shall ascertain and be satisfied that (a) all provisions of agreement executed by applicant on January 13, 1936, as modified by agreement dated May 22, 1937, have been complied with; (b) all provisions of agreement executed by First National of Elmira Corporation on December 17, 1935, as modified by agreement dated July 6, 1937, have been complied with; (c) all banks added to applicant's group since January 13, 1936, have charged off or otherwise eliminated all losses and depreciation described in paragraph 2 of form of agreement accompanying Board's letter X-9385; and (d) applicant has charged off or otherwise eliminated excess carrying value (as described in paragraph 1(a) of form of agreement accompanying Board's letter X-9385) of stocks of all organizations added to its group since January 13, 1936."

Approved unanimously.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "BancOhio Corporation", Columbus, Ohio, entitling such organiza-

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tion to vote the stock which it owns or controls of "The Tiffin National Bank", Tiffin, Ohio, at all meetings of shareholders of such bank. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "(1) Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385, except that (a) paragraphs numbered 1, 2, 4 and 5 shall be omitted and remaining paragraphs appropriately renumbered, and (b) all lettered paragraphs and introductory sentences immediately preceding them shall be omitted.
- "(2) Prior to issuance of general voting permit authorized herein, Federal Reserve Bank of Cleveland shall ascertain and be satisfied that (a) all provisions of agreement executed by applicant on December 15, 1936, have been complied with; (b) all banks added to applicant's group since December 31, 1936, have charged off or otherwise eliminated all losses and depreciation described in paragraph 2 of form of agreement accompanying Board's letter X-9385; and (c) applicant has charged off or otherwise eliminated excess carrying value (as described in paragraph 1(a) of form of agreement accompanying Board's letter X-9385) of stocks of all organizations added to its group since December 31, 1936."

Approved unanimously.

Telegrams to Mr. Stewart, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits to the "Old National Corporation", and the "Investment and Securities Co.", both of Spokane, Washington, entitling such organizations to vote the stock which they own or control of the following banks:

- "The Old National Bank and Union Trust Company of Spokane",  
Spokane, Washington,
- "First National Bank in Spokane", Spokane, Washington.



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to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof at any time prior to April 1, 1938, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously.

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

"This refers to your letter of November 27, 1937, in which you raise certain questions as to the eligibility of paper for discount under Regulation A.

"You first suggest the possibility that, in view of the ruling of the Board contained in its letter S-49 of November 23, 1937, a note given for the purchase of machinery for use by an individual, firm or corporation engaged in manufacturing or some other enterprise might be considered as given for an eligible purpose. Under the ruling referred to, paper whose proceeds are used by the maker to purchase goods for consumption may be considered as arising out of an actual commercial transaction, but in order to be eligible for discount the paper must meet the other applicable provisions of the law and the regulation, including the requirement that the proceeds shall not be used for 'permanent or fixed investments of any kind, such as land, buildings or machinery, or for any other fixed capital purpose.'

"The Board has held in past years, as you point out, that agricultural implements which wear out rapidly and in most cases have to be replaced within a comparatively short time are not permanent or fixed investments, and likewise that tractors, although their use is extended over several seasons, are not fixed investments but, like horses and mules, are considered as being for current agricultural purposes. On the other hand, it has been held that motor trucks of a corporation furnishing motor transportation and silos constitute permanent or fixed investments within the Board's regulation.

"It is believed that no general rule can be laid down in answer to the question whether the purchase of machinery constitutes a permanent or fixed investment or is for any

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"other fixed capital purpose. Generally speaking, the purchase of machinery by a manufacturing concern, which is expected to last over a period of a number of years or indefinitely, would seem to constitute a permanent or fixed investment and, accordingly, a note given for this purpose would not be eligible for discount. However, there may be machinery of certain types which wears out rapidly and must be replaced within a comparatively short time, and the purchase of such machinery might be regarded as an eligible purpose. The question is one which appears to depend upon the type of machinery in question as well as the other facts and circumstances of the particular case and upon which no definite answer can be given in advance.

"You also refer to the fact that there are many finance companies which, in addition to the business of financing the purchase and sale of goods which would give rise to eligible paper, are engaged in the business of making personal loans on chattels, endorsements or guaranties. You point out that in many instances the proceeds of such personal loans are not used for eligible purposes, and you inquire as to how to determine whether the notes of such finance companies engaged in various types of business represent borrowing to finance eligible or ineligible transactions. The Board appreciates the difficulty of this problem, but does not feel that it should attempt to make any general statement or ruling regarding it at this time. Here again it is not possible to give any categorical answer to the question, as the matter is one which can be determined definitely only in the light of the facts of specific cases as they may arise, bearing in mind the intention of the statute and the regulations that the proceeds of paper which is discounted should be used for commercial or agricultural transactions. By this it is not meant that the Board will not consider a question of this kind until a note of a finance company has actually been presented for discount at a Federal Reserve bank. If there is reason to feel that circumstances may arise in which the paper of a particular finance company may be offered for discount by a member bank at some later date and the member bank or the finance company itself desires to know in advance whether the nature of the business of the company is such that its paper might be considered as issued for an eligible purpose, the Board will be glad to give consideration to the question upon receipt of full information as to the facts in accordance with the Board's letter of October 25, 1937, S-39.

"We regret that we are unable to make our replies to



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"your inquiries in this connection more definite. In the nature of the questions, however, it is not believed that it is feasible to undertake to answer them more specifically at this time in the absence of the facts of particular cases. In general it may be said that in its revision of Regulation A and in the rulings which have been issued since the regulation was promulgated it has been the purpose of the Board to interpret the law on the question of eligibility in as liberal a manner as seemed to be justifiable and practicable.

"It is hoped that this discussion of the questions which you have raised may be of some assistance in your consideration of these problems."

Approved unanimously.

Memorandum dated December 31, 1937, from Mr. Morrill transmitting (1) a letter dated December 30 from the George A. Fuller Company outlining the reasons for the inability of the company to complete the Board's building by June 1, 1937, and for its request that an additional payment of \$50,000 be made on account, and (2) a memorandum dated December 30 from Mr. Kramer setting forth the reasons for his recommendation that the request be granted. Mr. Morrill's memorandum stated that if the suggested payment were made there still would be an estimated unpaid balance of \$38,290.00 which would be subject to some slight adjustment as final details were worked out but which seemed more than ample to protect the Board aside from the payment and performance bonds which it held. The suggested payment had been approved by the Personnel Committee.

Approved unanimously.

Memorandum dated December 23, 1937, from Mr. Morrill submitting the bids received covering the grading and paving of the Board's parking

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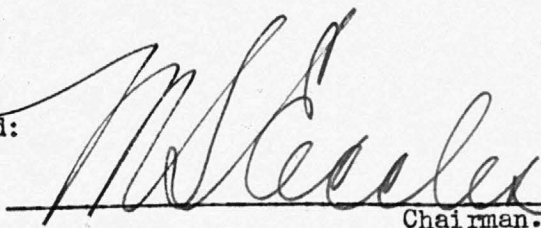
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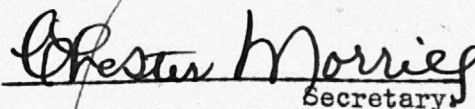
lot across C Street, and the erection of a fence around the lot, a small attendant's house and tennis courts. The Personnel Committee had approved (1) the acceptance of the bid of the Wilmoth Paving Company in the amount of \$5,635, covering the grading and paving of the lot and the laying of three clay tennis courts, the work to be done in such manner as to leave parking space on the property for at least one hundred automobiles during the progress of the work, and (2) the bid of F. H. Martell Co., Inc., in the amount of \$3,379, covering the attendant's house and fence, including all utilities. The approval by the Personnel Committee of the acceptance of the bid of the Wilmoth Paving Company was in connection with an agreement by the President of the Reserve Board Club on behalf of the club that it would do everything not included in the paving contract which might be necessary to complete the construction of the three tennis courts on the parking lot, including the erection of an inclosure for the tennis courts, and the maintenance of the courts for the exclusive use of the Board's employees.

The acceptance of the two bids above referred to in the total amount of \$9,014 was approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.