

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 11, 1938, at 10:45 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. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Smead, Chief of the Division of Bank
Operations
Mr. Dreibelbis, Assistant General Counsel
Mr. Piser, Senior Economist in the Division
of Research and Statistics

Reference was made to the fact that in some instances the same individual has served in the dual capacity of director of a Federal reserve bank and director of a branch of the bank and the question was raised as to the desirability of such appointments. The members of the Board were unanimous in their opinion that such dual service was not desirable and after a consideration of the various aspects of the matter the suggestion was made that the regulation of the Board with respect to the appointment of directors of branches of Federal reserve banks should be amended so that such appointments would not be made in the future.

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In accordance with the above suggestion, Mr. Davis moved that the regulation with respect to the appointment of directors of branches be amended by adding at the end of the second paragraph of the regulation a sentence reading as follows:

"No director of a Federal reserve bank shall be appointed to serve as a director of a branch of the bank during the period of his service as a director of the Federal reserve bank."

Carried unanimously.

At this point Messrs. Goldenweiser and Piser left the meeting.

There was then presented a memorandum dated January 11, 1938, from Mr. Smead with respect to advices received by the Board of proposed salaries for officers of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, St. Louis, Dallas and San Francisco for the year 1938. Information relating to action taken by the directors of the remaining banks concerning officers salaries for the current year had not been received.

After consideration of the information submitted by Mr. Smead, the following salaries of officers of Federal reserve banks for the year 1938, fixed by the boards of directors of the respective banks were approved unanimously:

Federal Reserve Bank of New York

<u>Name</u>	<u>Title</u>	<u>Salary</u>
G. L. Harrison	President	\$50,000
Allen Sproul	First Vice President	30,000
W. R. Burgess	Vice President	30,000
L. R. Rounds	Vice President	30,000
W. S. Logan	Vice President & General Counsel	25,000

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Federal Reserve Bank of New York (cont'd)

<u>Name</u>	<u>Title</u>	<u>Salary</u>
R. M. Gidney	Vice President	\$20,000
J. H. Williams	Vice President	22,000*
L. W. Knoke	Vice President	17,500
C. H. Coe	Vice President	15,000
W. H. Dillistin	Assistant Vice President	15,000
J. W. Jones	Assistant Vice President	14,000
W. B. Matteson	Assistant Vice President	14,000
J. M. Rice	Assistant Vice President	13,000
H. V. Roelse	Assistant Vice President	12,000
Arthur Phelan	Assistant Vice President	9,000
H. H. Kimball	Assistant Vice President & Secretary	8,500
Valentine Willis	Assistant Vice President	10,000
J. A. Mitchell	Manager, Credit Department	12,000
W. F. Sheehan	Manager, Bank Examination Department	12,000
E. C. French	Manager, Cash Department	10,000
D. H. Barrows	Manager, Personnel Department	9,000
I. W. Waters	Manager, Cash Custody Department	9,000
W. A. Scott	Manager, Government Bond Department	8,500
R. F. McMurray	Manager, Safekeeping Department	8,000
D. J. Cameron	Manager, Foreign Department	8,000
M. C. McCahill	Manager, Service Department	7,500
W. W. Burt	Manager, Accounting Department	7,000
E. C. Douglas	Manager, Bill Department and Collection Department	7,000
S. A. Miller	Manager, Securities Department	6,500
C. N. Van Houten	Manager, Security Custody Department	7,000
Horace Sanford	Manager, Research Department and Assistant Secretary	6,500
N. P. Davis	Manager, Security Loans Department	6,500
I. B. Smith	Manager, Bank Relations Department	5,500
R. J. Trimble	Assistant Counsel	11,500
T. G. Tiebout	Assistant Counsel	7,700
W. F. Treiber	Assistant Counsel	6,200
F. T. Davis	Assistant Counsel	5,900
G. W. Ferguson	General Auditor	9,000
<u>Buffalo Branch</u>		
R. M. O'Hara	Managing Director	\$12,000
R. B. Wiltse	Assistant Manager	9,000

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Federal Reserve Bank of New York (cont'd)Buffalo Branch (cont'd)

<u>Name</u>	<u>Title</u>	<u>Salary</u>
H. W. Snow, Jr.	Cashier	\$7,000
C. L. Blakeslee	Assistant Cashier	5,500

*During period of part time service to the bank, which will involve Mr. Williams' spending two days a week at the bank, salary paid him by the bank will be at the rate of one-third of his regular annual salary.

Federal Reserve Bank of Philadelphia

F. J. Drinnen	First Vice President	\$15,000
C. A. McIlhenny	Vice President and Cashier	13,200
W. J. Davis	Vice President	12,000
E. C. Hill	Vice President	10,000
W. G. McCreedy	Assistant Vice President	9,000
L. E. Donaldson	Assistant Vice President	6,000
C. A. Sienkiewicz	Assistant Vice President	6,500
J. M. Toy	Assistant Cashier	8,000
G. K. Morris	Assistant Cashier	6,500
A. E. Post	Secretary	3,500*
R. M. Moore	General Auditor	5,000
MacCoy, Brittain, Evans and Lewis	Counsel (retainer)	2,500

*Also receives \$4,500 per annum as Assistant Federal Reserve Agent.

In connection with the salaries fixed by the board of directors of the Federal Reserve Bank of Philadelphia, consideration was given to a letter dated January 8, 1938, from Mr. Joseph Wayne, Jr., Class A director of the bank, which stated that, subject to the approval of the Board of Governors, the board of directors of the bank had fixed a salary at the rate of \$27,000 per annum for Mr. Sinclair as President of the bank for the year 1938.

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It was agreed that Mr. Wayne should be advised that the Board was not willing to approve a salary at the rate of \$27,000 per annum for Mr. Sinclair but would approve a salary for the year at a rate fixed by the board of directors not exceeding \$25,000 per annum.

Federal Reserve Bank of Cleveland

<u>Name</u>	<u>Title</u>	<u>Salary</u>
M. J. Fleming	President	\$25,000
F. J. Zurlinden	First Vice President	18,000
W. H. Fletcher	Vice President	14,000
G. H. Wagner	Vice President	11,000
W. F. Taylor	Vice President and Cashier	10,000
C. W. Arnold	Assistant Vice President	8,200
R. B. Hays	Assistant Vice President & Secretary	8,000
E. A. Carter	Assistant Cashier	6,700
A. G. Foster	Assistant Cashier	6,700
H. E. J. Smith	Assistant Cashier	5,000
F. V. Grayson	Auditor	8,000
Squire, Sanders & Dempsey	Counsel (retainer)	5,000

Cincinnati Branch

B. J. Lazar	Managing Director	\$9,000
H. N. Ott	Cashier	6,500
R. G. Johnson	Assistant Cashier	4,400
P. J. Geers	Assistant Cashier	4,000

Pittsburgh Branch

P. A. Brown	Managing Director	\$9,000
D. B. Clouser	Cashier	8,000
F. E. Cobun	Assistant Cashier	5,500
C. J. Bolthouse	Assistant Cashier	5,400

Federal Reserve Bank of Chicago

G. J. Schaller	President	\$35,000
H. P. Preston	First Vice President	25,000
W. H. Snyder	Vice President and Cashier	17,500
C. S. Young	Vice President and Secretary	16,000

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Federal Reserve Bank of Chicago (cont'd)

<u>Name</u>	<u>Title</u>	<u>Salary</u>
J. H. Dillard	Vice President	\$12,000
W. C. Bachman	Assistant Vice President	9,000
O. J. Netterstrom	Assistant Vice President	9,000
A. T. Sihler	Assistant Vice President	9,000
A. L. Olson	Assistant Vice President and Assistant Secretary	8,000
N. B. Dawes	Assistant Cashier	7,000
J. C. Callahan	Assistant Cashier	6,750
J. G. Roberts	Assistant Cashier	6,750
F. L. Purrington	Assistant Cashier	6,500
Fred Bateman	Assistant Cashier	6,000
F. A. Lindsten	Assistant Cashier	6,000
C. M. Saltnes	Assistant Cashier	6,500
L. G. Meyer	Assistant Cashier	6,000
A. M. Black	Manager, Planning Department	6,000
J. L. Sweet	Manager, Research and Statistics Department	5,400
C. B. Dunn	General Counsel	12,000
J. J. Endres	Auditor	7,000

Detroit Branch

R. H. Buss	Managing Director	\$12,600
H. J. Chalfont	Cashier	8,500
H. L. Diehl	Assistant Cashier	5,000

Federal Reserve Bank of St. Louis

W. McC. Martin	President	\$20,000
F. G. Hitt	First Vice President	18,000
O. M. Attebery	Vice President	15,000
J. S. Wood	Vice President	15,000
C. M. Stewart	Cashier and Secretary	10,000
A. H. Hall	Assistant Cashier	7,500
S. F. Gilmore	Assistant Cashier	7,000
F. N. Hall	Assistant Cashier	6,000
G. O. Hollocher	Assistant Cashier	4,500
O. C. Phillips	Assistant Cashier	4,500
L. H. Bailey	General Auditor	6,000
A. E. Debrecht	Assistant Auditor	3,900

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Federal Reserve Bank of St. Louis (cont'd)Little Rock Branch

<u>Name</u>	<u>Title</u>	<u>Salary</u>
A. F. Bailey	Managing Director	\$9,000
M. H. Long	Cashier	4,800*
Clifford Wood	Assistant Cashier	3,900

Louisville Branch

C. A. Schacht	Managing Director**	\$7,000
S. B. Jenks	Cashier	4,000
	Assistant Cashier	

Memphis Branch

W. H. Glasgow	Managing Director	\$10,000
S. K. Belcher	Cashier	5,300
C. E. Martin	Assistant Cashier	4,800

*Until close of business July 31, 1938.

**Managing Director Moore retired on December 31, 1937.

In connection with the proposed official salaries at the Federal Reserve Bank of St. Louis, Mr. Smead presented a letter dated January 8, 1938, from Mr. Nardin, Chairman, in which it was stated that the board of directors had passed a resolution authorizing the executive committee of the bank to seek counsel for the bank and authorizing the retention of Mr. J. G. McConkey in an advisory capacity until such time as new counsel was selected. The letter inquired whether the Board would approve of such action, it being understood that the bank would proceed immediately to seek new counsel and would make a selection as soon as a suitable man could be found. Reference was made to

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the Board's telegram of December 15, 1937, and letter of December 23, 1937, to Mr. Nardin advising him in substance that the Board would not approve a salary for Mr. McConkey as Vice President and General Counsel of the bank beyond the end of 1937, and the opinion was expressed that the Board should not approve any arrangement that would in effect defeat this position or the purposes of the Retirement System in providing for retirement of employees of Federal reserve banks after the age of 65.

At the conclusion of the discussion, the Secretary was requested to communicate with Mr. Nardin by telephone advising him of the Board's position in the matter and that before final action was taken the Board would wish to be advised of the details of the arrangement which it was proposed to make with Mr. McConkey.

Federal Reserve Bank of Dallas

<u>Name</u>	<u>Title</u>	<u>Salary</u>
B. A. McKinney	President	\$30,000
R. R. Gilbert	First Vice President	15,000
R. B. Coleman	Vice President and Cashier	11,000
W. J. Evens	Vice President and Secretary	9,000
W. O. Ford	Assistant Vice President	7,500
E. B. Austin	Assistant Cashier	6,600
L. G. Pondrom	Assistant Cashier	6,000
R. O. Webb	Assistant Cashier	6,000
W. P. Clarke	General Auditor	7,000
Locke, Locke, Stroud and Randolph	Counsel (retainer)	9,000
<u>El Paso Branch</u>		
J. L. Hermann	Managing Director	\$6,000
Allen Sayles	Cashier	4,200

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Federal Reserve Bank of Dallas (cont'd)Houston Branch

<u>Name</u>	<u>Title</u>	<u>Salary</u>
W. D. Gentry	Managing Director	\$8,000
H. R. DeMoss	Cashier	4,500

San Antonio Branch

M. Crump	Managing Director	\$7,500
W. E. Eagle	Cashier	4,500

Federal Reserve Bank of San Francisco

W. A. Day	President	\$25,000
Ira Clerk	First Vice President	18,000
S. G. Sargent	Vice President and Secretary	15,000
W. M. Hale	Vice President	14,000
C. E. Earhart	Cashier	9,000
H. N. Mangels	Assistant Cashier	6,600
C. D. Phillips	Assistant Cashier	6,300
E. C. Mailliard	Assistant Cashier	5,200
J. M. Osmer	Assistant Cashier	5,500
H. F. Slade	Assistant Cashier	5,200
F. H. Holman	General Auditor	7,500
R. T. Hardy	Assistant Cashier	5,200
W. F. Volberg	Auditor	4,500
A. C. Agnew	Counsel (retainer includes \$2,400 for clerk hire)	12,400

Los Angeles Branch

W. N. Ambrose	Managing Director	\$10,000
H. M. Craft	Assistant Manager	6,600
M. McRitchie	Assistant Manager	5,500
L. C. Meyer	Assistant Cashier	4,800

Portland Branch

R. B. West	Managing Director	\$7,500
S. A. MacEachron	Assistant Manager	5,300
J. P. Blanchard	Assistant Cashier	4,500

Salt Lake City Branch

W. L. Partner	Managing Director	\$7,500
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Federal Reserve Bank of San Francisco (cont'd)Salt Lake City Branch (cont'd)

<u>Name</u>	<u>Title</u>	<u>Salary</u>
J. M. Leisner	Assistant Manager	\$5,400
W. M. Scott	Assistant Cashier	3,900

Seattle Branch

C. R. Shaw	Managing Director	\$7,500
B. A. Russell	Assistant Manager	4,800

Spokane Branch

D. L. Davis	Managing Director	\$7,500*
F. C. Bold	Assistant Manager	5,500

*Also joint Manager at Seattle branch.

At this point Messrs. Thurston, Wyatt, Smead, and Dreibelbis 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 10, 1938, were approved unanimously.

Memorandum dated January 8, 1938, from Mr. Morrill stating that Mrs. Mary B. Marshall, whose permanent appointment as a charwoman on the Board's staff and admission to the Retirement System of the Federal Reserve Banks subject to her passing satisfactorily the usual physical examination based on an examination for life insurance at

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the normal rate was approved by the Board on December 28, 1937, was unable to pass the examination, but the examining physician had reported that she would be acceptable for insurance at a rate of 1/2 to 1 percent higher than the normal rate, and that insurance on that basis could be issued with safety. The memorandum recommended that, in the circumstances, the permanent appointment of Mrs. Marshall be approved, with the understanding that she would be admitted to the Retirement System as of January 1, 1938.

Approved unanimously.

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

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

The letter also contained the following special comments:

"It is reported that, due to the growth in deposits, an increase in the combined capital and surplus of the bank may be necessary in order to meet the requirements of the laws of the State of Colorado, and that it is your intention to continue to conserve earnings for the purpose of providing such increase. The application for membership in the Reserve System has been approved with the understanding that the capital and surplus of the bank will be brought

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"into conformity with the requirements of State law within a short time, either through the application of current earnings or from other sources. In this connection, your attention is called to the provisions of condition of membership numbered 2 regarding the maintenance of adequate capital."

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

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

"It has been noted that the basis for the classification in the report of examination for membership of \$2,304.16 estimated loss in other real estate was to reduce to \$1.00 each the carrying values of two properties which were to become statutory before the end of the year, the management having agreed to make the write-down, that you consider that the reported values of the properties appear to justify the amounts at which they were being carried by the bank, and that your office does not feel that a condition of membership requiring the elimination of this estimated loss should be prescribed. It has been noted also that the examiner classified as an estimated loss an item of \$225 which represents, not a defined loss, but the balance due on the purchase price of a lot and which is to be paid and charged off upon delivery of the deed. In view of the circumstances, therefore, and since the remaining losses estimated by the examiner are reported to have been charged off during and following the examination, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"The report of examination for membership lists two savings accounts which do not conform to the definition of savings deposits as contained in the Board's regulations and it is assumed, of course, that, if the bank is admitted to membership, such accounts will be brought into conformity with the provisions of the Board's regulations.

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"It is noted that in the report of examination for membership the statement is made that there were no loans exceeding the limit prescribed by State law, which in this case is reported to be \$6,750. The report lists, however, for reference purposes, a line of \$38,441.64 to Securities Credit Corporation, Denver, Colorado, representing 120 loans secured by chattel mortgages on automobiles and endorsed by Securities Credit Corporation. You will recall that in connection with the application of The Routt County State Bank, Steamboat Springs, Colorado, which was recently admitted to membership, the question of the applicability of the statutory limitations to the liability of the Securities Credit Corporation was raised and that you advised the Routt County State Bank that in the absence of a definite ruling by the Bank Commissioner of Colorado, it would be necessary to consider the liability of the Corporation as an excess loan. In view of the fact that no comment was made regarding the line of the Securities Credit Corporation in the present case, it is assumed that you are now satisfied that the statutory limitations are not applicable to such extension of credit."

Letter to Mr. Merritt, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to Mr. Walsh's letter of December 27, 1937, advising the Board of the results of the consideration given by your board of directors and senior officers to the report of a survey of the auditing department of your bank transmitted to Mr. Walsh with the Board's letter of November 10, 1937.

"The Board appreciates the completeness of this review of the matters contained in the report of survey and has noted with interest the changes being made in the auditing procedure at your bank, and the comments concerning certain recommendations which were not adopted. Detailed consideration of the latter has been deferred by the Board at this time in view of the fact that the Board's field examiners are now engaged in an examination of your bank and will review such matters in the course of their examination."

Approved unanimously.

Memorandum dated October 22, 1937, from Mr. Morrill submitting for approval by the Board drafts of entries for the policy record re-

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quired by section 10 of the Federal Reserve Act to be kept by the Board covering actions taken by the Board on August 20, with respect to changes in rates on discounts and advances under sections 13 and 13a, and section 10(b) of the Federal Reserve Act, and on September 14, 1937, with respect to the adoption of a revised Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks.

Approved unanimously.

Letter to Mr. Young, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of December 18, 1937, inclosing for the Board's approval a copy of the proposed form of revised by-laws of the Detroit Branch which was approved by the board of directors of your bank at its meeting on December 16, 1937, subject to the approval of the Board of Governors.

"You are advised that the Board of Governors approves the amendments contained in the proposed revision of the by-laws of the Detroit Branch in the form inclosed in your letter."

Approved unanimously.

Letter to Mr. C. C. Morris, Vice President and Trust Officer, The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado, reading as follows:

"It is regretted that the pressure of other matters has prevented an earlier reply to your letter of November 5, 1937, relating to the use of a nominee to hold record title to stocks belonging to trusts administered by your bank.

"The Board has not had occasion to express an opinion concerning this practice and feels that the question whether it should be adopted is primarily one to be decided by your bank in the light of the applicable State law and sound

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"principles and practices of trust administration and after consultation with counsel for your bank. It is believed, however, that it should be pointed out that the use of a nominee is in conflict with the well established rule requiring a trustee to properly identify or earmark trust property as property of the trust, unless the practice is authorized by the terms of the trust instrument or the State law."

Approved unanimously.

Letter to Honorable Wayne C. Taylor, Assistant Secretary of the Treasury, prepared pursuant to the action taken at the meeting of the Board on January 4, 1938, and reading as follows:

"Reference is made to your letter of July 6, 1937, in which you advised the Federal Reserve banks that it was anticipated that redemptions of adjusted service bonds would slacken off appreciably during the coming year and that beginning January 1, 1938, Federal Reserve banks would be expected to absorb the slight expense involved in these redemptions, and to your discussion of this matter with Governor Ransom, Mr. Smead and myself on January 7, 1938.

"At the time of the receipt of your letter the Federal Reserve banks had, of course, no means of telling what the rate of decline would be in redemptions of adjusted service bonds and accordingly were not in a position to know whether the expense of redeeming such bonds would decline by January 1, 1938, to such an extent that they then would be justified in absorbing it. We are advised, however, that during the twelve months ending November 1, 1937, redemptions for the entire country amounted to approximately 2,270,000 pieces and that on the latter date there still remained over 7,100,000 pieces outstanding, or more than three times the number redeemed during the preceding twelve months.

"We are now in receipt of a communication from Mr. M. J. Fleming, Chairman of the Presidents' Conference Committee on Reimbursable Expenses, in which he states that expenses at the Federal Reserve Bank of Cleveland approximated \$1,500 per month during 1937 and that it is estimated they will average \$1,000 per month during 1938. President Harrison of the Federal Reserve Bank of New York has written to

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"Mr. Fleming advising him that such expenses of that bank are estimated to average about \$2,000 per month during 1938, and President Schaller at Chicago estimates that such expenses will amount to between \$10,000 and \$16,000 at his bank in 1938.

"In view of the substantial amounts involved, around \$50,000 at only three Federal Reserve banks, the Board feels that there is merit in the view of the Reimbursable Expense Committee of the Presidents' Conference that the Federal Reserve banks should not be asked to absorb such expenses during the calendar year 1938.

"It will be appreciated if this matter is discussed informally with Mr. M. J. Fleming, Chairman of the Presidents' Conference Committee on Reimbursable Expenses, and with Mr. Smead, of the Board's organization, before final decision is reached with respect thereto by the Treasury Department."

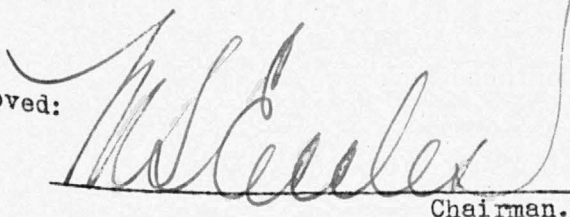
Approved unanimously.

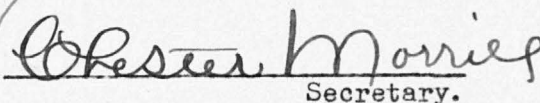
Memorandum dated January 6, 1938, from Mr. Ransom submitting a copy of a letter addressed to Mr. Wyatt, General Counsel, by Mr. Merle E. Selecman, Deputy Manager of the American Bankers' Association, under date of January 5, 1938, extending to Mr. Wyatt an invitation to participate in the program of the forthcoming Nineteenth Mid-Winter Trust Conference of the Trust Division of the American Bankers Association to be held in New York City on February 15-17. The memorandum recommended that Mr. Wyatt accept the invitation and speak at the conference on the subject of the Board's new provisions in Regulation F with respect to common trust funds.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.