

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 18, 1938, at 11:30 a.m.

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

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

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Paddock, First Vice President of the Federal Reserve Bank of Boston, Messrs. Kimball, Post, Hays and Young, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland and Chicago, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 15, by the Federal Reserve Banks of New York, Cleveland, Chicago, Kansas City and San Francisco on March 17, and by the Federal Reserve Banks of Boston and Philadelphia on March 18, 1938, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 12, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that in connection with the resignation of Mr. Blattner as Assistant Director of the

3/18/38

-2-

Division, and the expansion of the work on current business information, some reorganization of personnel in the Division was necessary; that it was contemplated that certain work done by Mr. Blattner would be assigned to Messrs. Maxwell R. Conklin, Senior Economist, and Roland I. Robinson, Junior Economist, in the Division; that Mr. John O. Bergelin, Junior Economist, would take over certain duties previously performed by Mr. Conklin; and that in order to assist in the work being done in the Division two additional junior economists would be required. The memorandum recommended that, in view of the above assignments, the salaries of Messrs. Conklin, Robinson and Bergelin be increased from \$4,000, \$3,400, and \$3,400 per annum to \$4,600, \$3,600, and \$3,600 per annum, respectively, effective immediately.

Approved unanimously.

Memorandum dated March 15, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the designation of Mr. Joseph Silverman be changed from clerk to economic assistant in the Division, with no change in his present salary at the rate of \$1,700 per annum.

Approved unanimously.

Letter to Mr. Wood, Deputy Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"Mr. Szymczak, upon his return to Washington, advised the Board of his discussion with you and Mr. Cummings with

3/18/38

-3-

"respect to the proposed increase in the salary of Mr. Dillard as Vice President of the Federal Reserve Bank of Chicago.

"The Board has reconsidered the matter in the light of this discussion and I have been requested to advise you that the Board approves a salary for Mr. Dillard at the rate of \$14,500 per annum as fixed by your directors.

"Please advise the date as of which the increased salary is made effective."

Approved unanimously.

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

"Referring to your letter of March 14, the Board approves payment of salary at the rate of \$3,000 per annum as fixed by your Board of Directors for Mr. Morgan L. Shaw, who has been elected Assistant Cashier at the New Orleans branch. It will be appreciated if you will advise the Board the date Mr. Shaw's appointment becomes effective."

Approved unanimously.

Memorandum dated March 10, 1938, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a summary of the information contained in statements received from the Federal reserve banks in compliance with the Board's request of November 23, 1936, giving the name and annual salary of each employee on January 1, 1938, and on January 1, 1937, or the date employed if hired during 1937. The memorandum stated that the salary lists, as submitted by each Federal reserve bank, had been examined and that salary increases, or salaries in excess of the maximum provided in the personnel classification plan, requiring special approval by the Board were as follows:

<u>F.R. Bank</u>	<u>Employee</u>	<u>Salary increased</u>	
		<u>From</u>	<u>To</u>
Richmond	Charles E. Francis, Federal Reserve Agent's Representative at the Charlotte branch (Audit clerk)	\$1,800	\$1,920

3/18/38

-4-

<u>F.R. Bank</u>	<u>Employee</u>	<u>Salary increased</u>	
		<u>From</u>	<u>To</u>
Chicago	Wilford R. Diercks, Alternate Assistant Federal Reserve Agent (Federal Reserve Examiner)	\$6,000	\$7,000
	L. Bernard Raether, Alternate Assistant Federal Reserve Agent (Audit clerk)	2,400	2,520
St. Louis	J. P. Goldschmid, Federal Reserve Agent's Representative at the Little Rock Branch (Audit clerk)	2,620	2,860
Kansas City	T. Bruce Robb, Alternate Assistant Federal Reserve Agent (Manager, Research and Statistics)	4,500	5,000
Dallas	G. C. Page, Federal Reserve Agent's Representative at the El Paso branch (Audit clerk)	2,700	2,880
	I. J. Reed, Federal Reserve Agent's Representative at the Houston branch (Audit clerk)	2,880	3,000

Federal Reserve Bank of Cleveland

<u>Name</u>	<u>Title of Position</u>	<u>Form A Maximum</u>	<u>Salary January 1, 1938</u>
Frank Koza	Member Accts. Clerk	\$2,400	\$2,650
Ruth E. Clark	Junior Clerk A	1,500	1,644
Joseph Krejci	Senior Clerk Check Col.	2,100	2,400
Heloise A. Schabinger	Junior Clerk A	1,500	1,680
Mary F. Thielman	Junior Clerk A	1,500	1,512
Edith G. Knight	Payroll Clerk	2,700	2,750
Paul A. Winter	Control Clerk - F.A.	2,400	2,700
Mabel E. Gray	Library Clerk	1,800	1,896
Michael J. Crisco	City Collection Teller	2,400	2,600
Edison F. Peck	City Collection Teller	2,400	2,520
Paul R. Bartow	Routing Clerk - N. C.	2,100	2,600
Nettie E. Kulow	Registered Nurse	1,800	1,980
Helen B. Pinkle	Registered Nurse	1,800	1,980
Anne Wolf	Multigraph Operator	1,680	1,944
Frank Brown	Oiler	2,100	2,280
Vendel Pavlas	Boiler room laborer	1,500	1,660

Cincinnati Branch

Elizabeth Thomas	Secretary to Managing Director and Cashier	2,400	2,500
------------------	--	-------	-------

3/18/38

-5-

<u>Pittsburgh Branch</u>			
<u>Name</u>	<u>Title of Position</u>	<u>Form A Maximum</u>	<u>Salary January 1, 1938</u>
Emma G. Peth	Currency Sorter A	\$1,500	\$1,560
Oren C. Stevens	Access Clerk	2,100	2,112
Madelene C. Marshall	File Clerk A	1,500	1,680

The memorandum recommended approval of letters attached thereto advising the Federal reserve banks that the Board notes without objection the salaries of employees on January 1, 1938, as shown in the salary lists, and approves the salaries listed above.

The recommendation was approved unanimously.

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

"Reference is made to your letter of March 15 in which you list the names of four employees of the Nashville Branch whose services you wish to use in the examination of the Commerce Union Bank of Nashville, which examination is scheduled to be made shortly. Accordingly, the Board approves the designation of the four employees listed as assistant examiners for that examination.

"It is understood from your letter that you only want these particular employees approved for use in the one examination; therefore, the Board's approval of their designations as assistant examiners extends only to the forthcoming examination of the Commerce Union Bank and their names are not being added to the list of employees whose designations as assistant examiners have been previously approved by the Board for the purpose of making their services available to assist your regular examining staff when necessary."

Approved unanimously.

Letter to the board of directors of the "Commercial Bank of L'Anse", L'Anse, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, 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 Minneapolis:

3/18/38

-6-

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Such bank shall not pay any dividends on its common stock until its capital structure has been increased to an amount satisfactory to the Federal Reserve Bank of Minneapolis."

The letter also contained the following special comments:

"Condition of membership numbered 5 has not been prescribed because of any question regarding the asset condition of the bank, but has been prescribed in view of the low capital ratio which has resulted from a substantial increase in deposits. Compliance with the condition will be in keeping with the bank's demonstrated conservative policy of devoting its earnings to increasing the capital and with the expressed intention of continuing that policy. In this connection, however, attention is called to the fact that condition of membership numbered 2 is a continuing condition and is not superseded by condition numbered 5, and unless satisfactory progress can be made in strengthening the capital from earnings, the introduction of additional funds from outside sources may be required under the continuing condition."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Commercial Bank of L'Anse', L'Anse, Michigan, 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 Commissioner of the Banking Department of the State of Michigan for his information.

"In view of the fact that the examiner has reported that the estimated losses shown in the report of examination were charged off during the examination, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

3/18/38

-7-

"In submitting the application reference was made by the Federal Reserve bank to the position which the Federal Deposit Insurance Corporation had taken with respect to an increase in the bank's capital and it was suggested that arrangements be made to comply with the requirements of the Federal Deposit Insurance Corporation for additional capital over a period of time. The capital position of the bank and the question as to what requirements should be made with respect to an increase in capital were discussed with a representative of the Division of Examination of the Federal Deposit Insurance Corporation, who expressed the opinion that a condition such as number 5 would be satisfactory in the circumstances.

"It will be noted that the Board has prescribed no special conditions in connection with the liability to the bank of Director Castigliano and the loan of President Beck. It is felt that the liability of the director is more properly a matter of local supervision than the subject of a condition of membership; and with respect to the loan of the president there seems to be a misunderstanding as to the extent of the applicability of section 22(g) of the Federal Reserve Act, the impression apparently being that under that section it will be necessary to reduce the loan to not more than \$2,500. In connection with the President's loan, however, your attention is called to the Board's letter of December 30, 1937 (S-59), in which the Board stated that it did not consider loans in any amount made by banks to their executive officers prior to admission to membership as being prohibited by section 22(g) or Regulation O from being renewed or extended after membership or after June 16, 1938. Therefore, the provisions of section 22(g) and the Board's regulation will not be applicable to the loan in question after the bank is admitted to membership except that by reason of such provisions any amount due on the loan would affect additional advances to the officer involved, and it is suggested that if a different impression was given the bank with respect to the extent of the applicability of section 22(g) and the Board's regulations to this loan, such impression be corrected.

"The report of examination for membership lists two savings accounts which apparently 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 regulations."

3/18/38

-8-

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

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

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

"The Board of Governors of the Federal Reserve System approves the application of 'The First State Bank', Stroud, Oklahoma, 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 Bank Commissioner of the State of Oklahoma for his information.

"Estimated losses of \$4,155.63 shown in the report of examination as of January 8, 1938, made in connection with the bank's application for membership, are reported to have been eliminated; therefore, the usual condition regarding the elimination of estimated losses has not been prescribed.

"It has been noted that under the articles of incorporation of the bank the number of its directors may be not less than three nor more than twenty-one. As you know, under the provisions of section 31 of the Banking Act of 1933, as amended, the directorate of a State member bank shall consist of not less than five nor more than twenty-five members. While it appears that The First State Bank has five directors at this time, it is suggested that you call its attention to the provisions of section 31 and to the desirability of taking appropriate action to amend its articles of incorporation to provide for a minimum of at least five directors in order to avoid the possibility of any violation of such provisions in the future."

3/18/38

-9-

Letter to Mr. Harrison, Chairman of the Conference of Presidents,
reading as follows:

"Reference is made to our recent telephone conversations with Mr. Kimball in connection with the appointment, pursuant to the discussions at the meeting of the Board of Governors with the Presidents of Federal reserve banks on March 1, 1938, of committees to consider certain questions with respect to the check collection services of the Federal reserve banks and nonmember clearing accounts at the Federal reserve banks. Reference is also made to your letter of March 10, 1938, with which you inclosed a copy of the letter you addressed to Mr. Walden as Chairman of the Standing Committee on Collections advising him that the questions relating to check collection services had been referred to his committee. It is understood that you have requested the Federal Reserve Banks of Boston, Richmond and San Francisco each to suggest the name of one of its operating officers to serve on the committee to consider the questions relating to nonmember clearing accounts.

"The Board has designated Mr. Smead, Chief of its Division of Bank Operations, to serve with the representatives of the Presidents' Conference in the consideration of these two matters with the thought that he will also act as the point of contact between the committees and other members of the Board's staff whose attendance at any of the meetings of the committees or advice may be desirable. The Board suggests that the chairman of each committee communicate promptly with Mr. Smead with respect to the procedure to be followed by each committee."

Approved unanimously.

Memorandum from Mr. Wyatt, General Counsel, submitting a telegram addressed to him under date of March 8, 1938, by Mr. J. D. Camp, Secretary, Florida Bankers Association, extending to Mr. Wyatt an invitation to speak before the Association at its meeting in Hollywood, Florida, on April 5, 1938, on the subject of the regulations of the Board of Governors of the Federal Reserve System or any other subject

3/18/38

-10-

he may select. The memorandum stated that if the invitation were accepted Mr. Wyatt would give substantially the same address as he delivered before the Texas Bankers Association and the St. Louis Chapter of the American Institute of Banking.

The acceptance of the invitation by Mr. Wyatt was approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Frank Mason
Vice Chairman.