

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 13, 1939, at 2:30 p. m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. McKee
 Mr. Davis
 Mr. Draper

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. Parry, Chief of the Division of Security Loans
 Mr. Dreibelbis, Assistant General Counsel
 Mr. Leonard, Assistant Chief of the Division of Examinations
 Mr. Cagle, Assistant Chief of the Division of Examinations
 Mr. Thomas, Assistant Director of the Division of Research and Statistics

Unanimous approval was given to the following telegram and letters to Federal reserve banks with respect to salaries of officers of the respective banks for periods beginning January 1, 1939:

Telegram to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your letter January 12. Board understands that Assistant Cashier Blakeslee of Buffalo Branch retired December 31, 1938. Board has previously approved payment of salary at rate of \$14,000 per annum to Assistant Vice President Matteson for period of not to exceed six months from January 1, 1939. Salaries fixed by your Board of Directors

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"at meeting held on January 12, 1939 for other officers of bank for period January 1 to January 15, 1939, which salaries are at the rates in effect for such officers on December 31, 1938, are approved by the Board."

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

"The salaries fixed by your Board of Directors for the officers of the bank for the year 1939, as submitted in your letter of January 6, 1939, are approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Annual 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 and 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 & Dampsey	Counsel (Retainer)	5,000
<u>Cincinnati Branch</u>		
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
<u>Pittsburgh Branch</u>		
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"

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

"The salaries fixed by your Board of Directors for the officers of the bank for the year 1939, as submitted in your letters of January 7, 1939, are approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
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	16,000
J. H. Dillard	Vice President and Secretary	14,500
W. C. Bachman	Assistant Vice President	9,000
O. J. Netterstrom	Assistant Vice President	9,000
A. L. Olson	Assistant Vice President and Assistant Secretary	8,000
A. T. Sihler	Assistant Vice President	9,000
J. J. Endres	Auditor	7,000
A. M. Black	Manager, Planning Department	6,000
J. L. Sweet	Manager, Research and Statistics Department	5,400
J. C. Callahan	Assistant Cashier	6,750
N. B. Dawes	Assistant Cashier	7,000
F. A. Lindsten	Assistant Cashier	6,000
L. G. Meyer	Assistant Cashier	6,000
F. L. Purrington	Assistant Cashier	6,500
J. G. Roberts	Assistant Cashier	6,750
C. M. Saltnes	Assistant Cashier	6,500
C. B. Dunn	General Counsel	12,000
P. C. Hodge	Assistant Counsel	4,300
<u>Detroit Branch</u>		
R. H. Buss	Managing Director	12,600
H. J. Chalfont	Cashier	8,500
H. L. Diehl	Assistant Cashier	5,000

"It is noted that the directors voted to recommend that the Board of Governors give favorable consideration to the

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"salary increases approved by the directors at their meeting on October 27, 1938. As indicated in its letter S-138 of December 28, 1938, the Board will invite the President of each Federal Reserve bank to come to Washington at a convenient time for the purpose of reviewing thoroughly the salary situation at his bank."

Letter to Mr. Leedy, Secretary of the Federal Reserve Bank of Kansas City, reading as follows:

"The salaries fixed by your Board of Directors for the officers of the bank for the year 1939, as submitted with your letter of January 6, 1939, are approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
G. H. Hamilton	President	\$25,000
C. A. Worthington	First Vice President	16,000
H. G. Leedy	Vice President, General Counsel and Secretary	15,000
J. W. Helm	Vice President and Cashier	12,000
John Phillips, Jr.	Assistant Cashier	7,000
E. P. Tyner	Assistant Cashier	6,800
G. H. Pipkin	Assistant Cashier	6,000
M. W. E. Park	Assistant Cashier	6,000
D. W. Woolley	Assistant Cashier	5,000
S. A. Wardell	Auditor	8,000
<u>Denver Branch</u>		
J. E. Olson	Managing Director	10,000
S. A. Brown	Cashier	4,800
William Phillips	Assistant Cashier	4,800
<u>Oklahoma City Branch</u>		
C. E. Daniel	Managing Director	10,000
R. O. Wunderlich	Cashier	5,700
R. L. Mathes	Assistant Cashier	4,300

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"Omaha Branch

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
L. H. Earhart	Managing Director	\$10,000
G. A. Gregory	Cashier	6,000
O. P. Cordill	Assistant Cashier	4,300"

In accordance with the understanding reached at the meeting of the Board on January 10, 1939, consideration was given at this meeting to the material which had been prepared for the Board's Annual Report for the year 1938 and submitted by Mr. Goldenweiser to the Board and the staff with memoranda dated January 9 and 12, 1939. Each of the members of the Board present made suggestions with respect to the form and content of the report and the suggestions were discussed. Mr. Davis requested that each member of the Board give further consideration to the matter and submit to Mr. Goldenweiser not later than January 16 a memorandum containing any additional comments that the member may have to make with respect to the report.

It was understood that Mr. Goldenweiser would call on such members of the staff as he might desire to have assist him in drafting portions of the report in which other divisions of the Board were particularly interested.

In this connection Counsel was requested to prepare a general statement with respect to desirable technical amendments to the Federal Reserve Act and the elimination of obsolete provisions as well as a detailed statement which would list the suggested technical amendments and obsolete provisions.

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It was also understood that Mr. Goldenweiser would submit a revised draft of the material for the annual report as early next week as possible.

Mr. Ransom stated that the hearing before the Securities and Exchange Commission at which Transamerica Corporation would be afforded an opportunity to show cause why the stock of the corporation should not be delisted from national securities exchanges would be held beginning Monday, January 16, and he raised the question whether members of the Board's staff should attend the hearing as observers.

It was agreed unanimously that Messrs. Wingfield, Assistant General Counsel, and Cagle, Assistant Chief of the Division of Examinations, should attend the hearing as observers only, with the understanding that they would not participate in the hearing in any way.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Parry, Dreibelbis, Leonard, Cagle and Thomas left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 11, 1939, were approved unanimously.

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of

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Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Hale, 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 January 10, and by the Federal Reserve Banks of New York, Richmond, Chicago, St. Louis, Minneapolis and Dallas on January 12, 1939, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of January 6, 1939, the Board of Governors approves the fees and allowances fixed by your Board for the directors of the Federal Reserve Bank of San Francisco and its branches for the year 1939, which it is understood are the same as the fees and allowances paid by the bank in 1938."

Approved unanimously.

Telegram dated January 12, 1939, to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Retel regarding publication of State bank member condition reports, the certification printed on Form F. R. 105e may be acknowledged before a notary public, if that is satisfactory to the State banking department, or the affidavit required by State may be substituted

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"for certification printed on Form F.R. 105e provided such affidavit is made by an authorized officer and is to effect that the statement is correct and is accompanied by the required attestation by not less than three directors."

Approved unanimously.

Letter dated January 12, 1939, to Honorable Preston Delano, Comptroller of the Currency, reading as follows:

"This refers to Mr. Upham's letter of December 21, 1938, requesting the Board's views concerning a question raised by Mr. J. D. Bloom, Special Deputy Secretary of Banking of the Commonwealth of Pennsylvania, with respect to the interpretation of the following footnote appended to sections 12 and 10(c) of the Board's Regulation F:

'This 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 as trustee or other fiduciary.'

After stating that the Pennsylvania law permits the investment of trust funds in real estate loans which a national bank is not permitted to make under the provisions of section 24 of the Federal Reserve Act, Mr. Bloom inquires whether the foregoing footnote precludes a national bank from investing trust funds in real estate loans which comply with the State law with respect to trust investments but which could not be made by the bank because they represent too large a percentage of the appraised value of the security.

"The footnote permits a national bank to invest funds of two or more trusts in participations in a single real estate loan without regard to the otherwise applicable provisions of sections 12 and 10(c) of Regulation F requiring that the securities and investments of each trust shall be kept separate from those of all other trusts and prohibiting the collective investment of trust funds (except as

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"permitted in section 17, which relates to common trust funds). However, such permission is qualified and trust funds cannot be invested pursuant thereto unless (1) regardless of what constitutes a legal investment for trust funds under the laws of the particular State, the loan at least complies with the requirements of section 24 of the Federal Reserve Act with respect to the kind of real estate loans which national banks may make with their own funds, and (2) the bank owns no participation in the loan and has no interest therein except as fiduciary. The footnote, of course, has no bearing upon the type of real estate loans in which trust funds may be invested except where funds of two or more trusts are invested in participations in a single real estate loan."

Approved unanimously.

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

"Reference is made to your letters of January 3 and January 4, 1939, in regard to reimbursement of expenses to date of students from your bank at the Graduate School of Banking at Rutgers University.

"Inclosed is a copy of a letter dated today being sent to the Presidents of all Federal Reserve banks indicating that the revision of the first paragraph on page 3 of the statement accompanying the Board's letter of October 30, 1936, X-9729, should not be regarded as being retroactive."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"The question has been raised whether in view of the Board's letter, S-137, of December 28, 1938, the Federal Reserve banks may now reimburse members of their staffs, who have heretofore attended the Graduate School of Banking at Rutgers University, for Registration and Resident and Extension tuition fees paid by them.

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"The revision of the first paragraph on page 3 of the statement accompanying the Board's letter of October 30, 1936, X-9729, became effective as of December 28, 1938, and it was not the intention of the Board to make it retroactive."

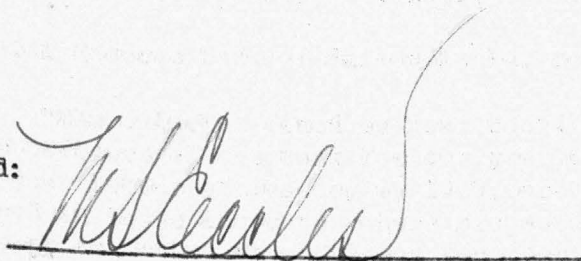
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.