

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 29, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. McKee

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

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. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mrs. Anne H. Wilkes reading as follows:

"The Board of Governors has requested me to advise you that it accepts, with regret, effective as of the close of business on August 13, 1936, your resignation as a stenographer in the office of the Secretary of the Board, tendered in your letter of July 28, 1936."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System has learned with regret from your telegram of July 28, 1936, of the death on July 27 of Mr. Frederick S. Chamberlain, one

7/29/36

-2-

"of the Class A directors of your bank."

Approved unanimously.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Mr. Fleming, in his wire of July 29, stated that Messrs. Fletcher, Anderson and Evans have tendered their resignations as Assistant Federal Reserve Agents at head office, effective as of close of business July 31, and that Messrs. Harrel and Nolte, Acting Assistant Federal Reserve Agents at Cincinnati and Pittsburgh branches, respectively, have tendered their resignations effective as of close of business July 31. Board accepts these resignations effective July 31 with understanding that Messrs. Matter and Henk will qualify as Assistant Federal Reserve Agent and Alternate Assistant Federal Reserve Agent, respectively, effective as of beginning of business August 1."

Approved unanimously.

In connection with the above matter, there was also presented a letter to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the recommendation contained in your letter of July 25, the Board approves a salary of \$14,000 per annum for Mr. W. H. Fletcher as Vice President for the remainder of the calendar year, which salary is the same as that he is now receiving as Assistant Federal Reserve Agent.

"It is noted from your letter that Mr. Fletcher's appointment as Vice President is to become effective when the non-statutory duties of the Federal Reserve Agent are transferred to the bank and his resignation as Assistant Federal Reserve Agent is accepted."

Approved unanimously, together with a telegram to President Fleming of the Federal Reserve Bank of Cleveland reading as follows:

"Referring your July 29 wire, Board has notified Mr.

7/29/36

-3-

"Burke of acceptance of resignations of Fletcher, Anderson and Evans as Assistant Federal Reserve Agents at head office, and of Harrel and Nolte as Acting Assistant Federal Reserve Agents at Cincinnati and Pittsburgh branches, respectively, all effective as of close of business July 31, 1936. Board notes with approval appointment of Fletcher as Vice President in charge of examinations function, effective August 1, and appointment of Evans as Chief Examiner, effective as of same date. Board also notes that Anderson has been appointed Manager of Bank and Public Relations Department, effective August 1, and that Matter and Henk have resigned their positions in banking department effective as of close of business July 31, and will qualify as Assistant Federal Reserve Agent and Alternate Assistant Federal Reserve Agent, respectively, on August 1."

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

"In accordance with the recommendations contained in your letter of July 22, the Board approves the appointment of Mr. Carl Schelling as Assistant Federal Reserve Agent and Mr. W. R. Diercks as Alternate Assistant Federal Reserve Agent at the head office of the Federal Reserve Bank of Chicago, and of Mr. Bernard L. Raether as Assistant Federal Reserve Agent at the Detroit Branch, with the understanding that before the appointments become effective Mr. Raether will resign his position in the operating department of the bank and thereafter the three employees will be retained on the Agent's payroll and be solely responsible to him. In addition to performing duties in the Agent's department, they may be detailed by the Agent with the approval of the President to perform such other work in the bank as will not be inconsistent with their duties as Assistant Federal Reserve Agents and Alternate Assistant Federal Reserve Agent.

"Before entering upon their duties they should each execute the usual oath of office and surety bond in the amount of \$50,000, and such bonds should be examined by your counsel to see that they comply fully with the rules printed on the reverse side of bond form 182. After execution the bonds should be forwarded promptly to the Board of Governors for approval.

"As soon as the appointments of Messrs. Schelling, Diercks and Raether become effective, the Board will accept the resignations to be submitted by the present Assistant Federal Reserve Agents, Messrs. Young, Prugh and Martin."

Approved unanimously.



7/29/36

-4-

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

"This refers to your letter of July 22 with respect to changes in operation and organization of your bank to become effective when the non-statutory functions of the Federal Reserve Agent are transferred to the bank.

"With respect to the Research and Statistical Department, it is noted that since July 1 Mr. J. L. Sweet has been in temporary charge of the department and that the selection of an operating head of the department was to be taken up at the meeting of your Board last week. It is suggested that you discuss with the Director of the Board's Division of Research and Statistics any proposed appointment as head of the Research and Statistics Department before formally making a recommendation with respect thereto to the Board of Governors.

"The reference in your letter to the assignment of Messrs. Dawes and Coates to handle the administration of the Securities Exchange Act of 1934 is understood to represent a recommendation from your bank that the Board approve such assignments. It is expected that a representative of the Board's Division of Security Loans will visit your bank in the near future and action upon your recommendation will be deferred until after such visit.

"The Board has notified Mr. Young of its approval of the appointment of the assistant Federal Reserve agents recommended in his letter of July 22. Your comments with respect to Messrs. McKay and Dillard have been noted."

Approved unanimously.

Telegram to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"Referring your July 24 letter and your July 28 telegram and to Mr. Smead's telephone conversation with you after the dispatch of your wire but prior to its receipt in Washington, Board's letters of March 9 and July 20 authorized payment to Retirement System upon termination of Mr. McKay's services of such amount as may be necessary to provide for him the annual retirement allowance he would receive if he were 65 years of age on the date of such termination. According to rough computations this would cost the

7/29/36

-5-

"bank approximately \$6,900 and would provide a retirement allowance to Mr. McKay of approximately \$3,850 per year instead of \$4,195 which would be amount he would receive if he should remain with bank until he is 65."

Approved unanimously.

Letter to Mr. R. E. Spencer, Chicago, Illinois, reading as follows:

"Your letter of June 30, 1936, addressed to President Roosevelt has been referred to this office for reply.

"You state that you have heard that the Federal Reserve Bank of Chicago is firing old help, some of whom are almost ready to be pensioned, and hiring young girls and boys in their places, and that employees dismissed are told that the President is responsible for their dismissal.

"The Act of Congress, known as the Federal Reserve Act, which governs the operations of the Federal Reserve banks, provides that each Federal Reserve bank shall have power to appoint, by its board of directors, executive officers and employees and to dismiss at pleasure such officers and employees. During the last few years the Federal Reserve banks, in common with other financial institutions, have in certain cases found it necessary to reduce their personnel and in some instances to reduce salaries. Dismissals, however, have been made only in case the employee's services were no longer needed or for other good cause and not to fill the place of the dismissed employee with a lower salaried worker.

"When it is necessary to reduce the force of a Federal Reserve bank every effort is made to effect the reduction through dropping employees who have been with the bank for relatively short periods and to retain employees who have been in the service of the bank for many years. In some cases, however, it has been necessary to dispense with the services of certain employees who have been in the employ of the bank for extended periods. No responsible official of any Federal Reserve bank has told employees that the President of the United States is responsible for their discharge, and any such statement, if made, was obviously untrue."

Approved unanimously.

7/29/36

-6-

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

"Reference is made to your letter of July 24 quoting a resolution adopted at the July 23 meeting of the Board of Directors of your bank recommending that Assistant Federal Reserve Agent A. M. McAdams be granted leave of absence on account of illness with full pay for the six months period ending October 31, 1936.

"In accordance with the above mentioned recommendation, the Board authorizes the granting of leave of absence with pay to Mr. McAdams for the six months period ending October 31, 1936."

Approved unanimously.

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

"Reference is made to your letter of July 21, 1936, transmitting the request of the 'Templeton Savings Bank', Templeton, Iowa, for permission, in accordance with the provisions of condition of membership numbered 8, to invest approximately \$1,000 in a bank building as part of a proposed plan which provides for the exchange of the bank's present building for one formerly occupied by the Peoples Savings Bank, now in liquidation.

"In view of your recommendation and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to the investment in the amount indicated provided the transaction receives the approval of the State Banking Department. Please advise the bank accordingly."

Approved unanimously.

Letter to Mr. Thomas H. Daniel, Columbia, South Carolina, reading as follows:

"The Board of Governors has been informed that the published statement of condition of the Citizens and Southern



7/29/36

-7-

"Bank of South Carolina as of the close of business on June 30, 1936, shows among the assets an item as follows: 'Corporate stock including Federal Reserve bank stock \$20,247.10'.

"The publication of the item in the form quoted above is likely to create the erroneous impression that the bank owns stock in the Federal reserve bank and therefore is a member of the Federal reserve system. In this connection it is understood that the form prescribed by your department for use by State banks in submitting condition statements called for as of June 30 contains a blank space in the item relating to investments for insertion of the dollar amount of Federal reserve bank stock, if any, owned by the State bank responding to the call and that it is contemplated that a showing of ownership of Federal reserve bank stock shall be made only by member banks of the Federal reserve system.

"Therefore, it will be appreciated if you will be good enough to take the matter up with the Citizens and Southern Bank with a view to the prevention of a recurrence of such an error on the part of the bank."

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

"Inclosed for your information you will find a copy of a letter from Mr. J. L. Campbell, President of the Commercial National Bank of Spartanburg, South Carolina, to Chairman Eccles in regard to a published report of condition of the Citizens and Southern Bank of South Carolina, which indicates ownership by that bank of Federal reserve bank stock although the bank is not a member of the Federal reserve system, and a copy of my letter of this date to Mr. Thomas H. Daniel, Chief Bank Examiner of South Carolina, together with a copy of my letter of this date in reply to Mr. Campbell's letter.

"The Board feels that when a statement of this kind implying ownership of stock in the Federal reserve bank or membership in the Federal reserve system, when such is not the case, comes to the attention of a Federal reserve bank it is desirable that the Federal reserve bank take the matter up with the appropriate State banking authority with a view to obtaining the cooperation of such authority in bringing about the necessary correction."

Letter to Mr. McRae, Assistant Federal Reserve Agent at the Fed-

7/29/36

-8-

eral Reserve Bank of Boston, reading as follows:

"This refers to your letter of July 13, 1936, and its inclosures, relating to the voting permit application of 'The National Shawmut Bank of Boston', Boston, Massachusetts, and stating that the applicant desires some assurance that the agreement which it is required to execute as a condition to receiving a general voting permit will terminate when the applicant ceases to be a holding company affiliate or the voting permit is revoked.

"The Board will consider such agreement terminated when the general voting permit issued upon the execution of the agreement is revoked or surrendered with the approval of the Board. The Board will approve the surrender of such permit when it is satisfied that The National Shawmut Bank of Boston is not a holding company affiliate

"A copy of this letter is inclosed in order that you may forward it to The National Shawmut Bank of Boston."

Approved unanimously.

Letter to Mr. Martin, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of July 21, 1936, concerning the possible reclassification of member banks in your district for electoral purposes prior to the forthcoming election of Class A and Class B directors.

"The Board concurs in your expressed opinion that the present classification of member banks in your district is satisfactory and, accordingly, that no reclassification of such banks should be made at this time."

Approved unanimously.

Memorandum dated July 25, 1936, from Mr. Smead with which he submitted a letter dated July 13, 1936, from President Schaller of the Federal Reserve Bank of Chicago stating that the Financial Editor of the Chicago Daily News had asked that the weekly statement of bank debits be released for publication in the Saturday afternoon papers



7/29/36

-9-

instead of in the Sunday morning papers as at present. The memorandum stated that, since the bank debits statement is released ordinarily at 12:30 p. m. on Saturday there seemed to be no good reason why it should not be available for publication in the Saturday evening papers, and that it was recommended that beginning Saturday, August 1, the statement be made for immediate release instead of for release for publication on Sunday morning.

Approved unanimously.

Thereupon the meeting adjourned.

Walter Mowbray  
Secretary.

Approved:

W. S. Sculley  
Chairman.