

A meeting of the Federal Reserve Board was held in Washington on Friday, February 15, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Governor
Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Szymczak

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

The Board acted upon the following matters:

Letter dated February 14, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at the meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated February 15, 1935, from Mr. Morrill recommending that William Pinn be appointed as a messenger on the Board's staff with salary at the rate of \$840 per annum, effective when he passes the necessary physical examination and reports for duty.

Approved.

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

"The Federal Reserve Board has received your telegram of February 13, 1935, and approves the reappointment by the board of directors of the Federal Reserve Bank of Minneapolis of Messrs. Sheldon V. Wood, John M. Bush, Albert L. Miller, Clarence O. Follett, and Harvey C. Jewett as members of the Industrial Advisory Committee for the Ninth Federal Reserve

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"District, each for a term of one year from March 1, 1935. It is assumed that each of these gentlemen is still actively engaged in some industrial pursuit within the Ninth Federal Reserve District.

"It will be appreciated if you will advise whether Mr. Wood will continue as Chairman of the committee."

Approved.

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

"The Federal Reserve Board has received your telegram of February 13, 1935, and approves the reappointment by the board of directors of the Federal Reserve Bank of Dallas of Messrs. T. M. Cullum, Lewis R. Ferguson, W. B. Marsh, Charles R. Moore, and Clarence Ousley as members of the Industrial Advisory Committee for the Eleventh Federal Reserve District, each for a term of one year from March 1, 1935. It is assumed that each of these gentlemen is still actively engaged in some industrial pursuit within the Eleventh Federal Reserve District.

"It will be appreciated if you will advise whether Mr. Ousley will continue as Chairman of the committee."

Approved.

Letter to the "Freeborn County National Bank of Albert Lea", Albert Lea, Minnesota, reading as follows:

"This refers to the resolution adopted on October 9, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal

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"Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to "The Midway National Corporation", St. Paul, Minnesota, entitling such organization to vote the stock which it owns or controls in "The Twin Cities National Bank of St. Paul", St. Paul, Minnesota, for the purpose set forth in the telegram.

Approved.

Letter to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of June 21, 1934, with inclosures, regarding the proper classification for reserve purposes of funds of the State of Ohio and of Franklin County, Ohio, deposited with the Fifth Avenue Savings Bank Company, Columbus, Ohio. We regret to find that your letter was inadvertently misplaced when received and that a reply thereto has not yet been made.

"It appears that subsequent to the examination of the Fifth Avenue Savings Bank Company, as of May 12, 1934, the bank obtained letters from the Assistant Treasurer of the State of Ohio and the Chief Deputy County Treasurer of Franklin County stating that notice of thirty days and thirty-one days, respectively, would be given prior to the withdrawal of funds of the State of Ohio and of Franklin County, apparently to the end that such deposits might thereafter be classified as time deposits. However, counsel for your bank, in an opinion dated June 7, 1934, which you inclose, has expressed the view that the bank is not authorized under the applicable provisions of State law to impose such restrictions as to withdrawals with respect to the deposits in question, and that,

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"therefore, such deposits cannot be classified as time deposits for reserve purposes.

"Whether the funds in question may lawfully be deposited as time deposits, subject to restrictions as to withdrawal, is a question of State law. However, in the absence of court decisions or the opinion of the Attorney General for the State of Ohio regarding this question, the Board knows of no reason to differ from the conclusion reached by counsel for your bank that the deposits of the State of Ohio and of Franklin County, Ohio, which are here involved, cannot properly be classified by the Fifth Avenue Savings Bank Company as time deposits for the purpose of computing reserves thereon. If the Attorney General for the State of Ohio should render an opinion with respect to this question, further consideration of the matter would be necessary.

"Irrespective of the authority of the bank to impose restrictions as to the withdrawal of the deposits in question, it does not appear that such deposits are payable only after written notice of intent to withdraw, and, as you know, in order for a deposit to constitute a 'time deposit, open account' or a 'time certificate of deposit' within the meaning of the Board's Regulation D, relating to reserves, it is necessary that the notice before repayment of such deposits shall be in writing.

"It is noted that in the report of examination of the Fifth Avenue Savings Bank Company, as of May 12, 1934, the examiner has criticized a repurchase agreement entered into between that bank and its affiliate, the Ohio National Bank, on February 28, 1934, whereby the Ohio National Bank agrees to purchase for the account of the Fifth Avenue Savings Bank Company United States Government bonds, certificates and notes, whenever the deposit balance of the latter bank exceeds \$75,000. It is understood that under this agreement the Ohio National Bank agrees to repurchase the securities at par at any time and guarantees to pay the Fifth Avenue Savings Bank Company interest at the rate of 2 per cent during the time the securities are held, irrespective of the coupon rate of the securities, payable, however, on the dates the coupons are due. It is understood also that at the time of the examination of the Fifth Avenue Savings Bank Company that bank had in its investment account United States Government bonds having a par value of \$40,000 which were acquired under the above repurchase agreement, and that this amount is in excess of 10% of the bank's capital and surplus. Upon the basis of the facts stated, it appears that the repurchase agreement involves a violation of the prohibition against the payment by a member bank, directly or indirectly by any device whatsoever, of any interest on any

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"deposit which is payable on demand and that such agreement also violates the provisions of section 23A of the Federal Reserve Act which impose restrictions upon the purchase by a member bank of securities under repurchase agreement from its affiliates. Accordingly, it is requested that you bring this matter to the attention of the Fifth Avenue Savings Bank Company and the Ohio National Bank in order that they may take such action as may be necessary to conform hereafter to these provisions of the law."

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, transmitting the following amended Clayton Act permit:

Mr. J. H. Fleming, to serve at the same time as a director and officer of The Dominion National Bank of Bristol, Bristol, Virginia, and as a director of the Bristol Savings & Loan Corporation, Bristol, Virginia, for the period ending January 14, 1936.

Approved.

Letter to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has reconsidered the Clayton Act application of Mr. P. W. Clemens and has issued a permit as follows:

Mr. P. W. Clemens, to serve at the same time as a director and officer of The Dakota National Bank of Fargo, Fargo, North Dakota, and as a director and officer of the Bank of Steele, Steele, North Dakota, for the period ending January 14, 1936.

Approved.

Letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, stating that the Board has given consideration to the following application for a permit under the

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Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest:

Mr. J. Renz Edwards, for permission to serve at the same time as a director of the Brotherhood State Bank, Kansas City, Kansas, and as a director of the Security National Bank of Kansas City, Kansas City, Kansas.

The letter also requested Mr. McAdams to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Approved.

Letters to applicants for permits under the Clayton Act advising respectively of the issuance by the Board of permits as follows:

Mr. W. Ward Tompkins, to serve at the same time as a director and officer of the Dobbs Ferry Bank, Dobbs Ferry, New York, and as a director of The First National Bank of Hastings-upon-Hudson, Hastings-upon-Hudson, New York, for the period ending January 14, 1936.

Mr. DeVer C. Warner, to serve at the same time as a director of The First National Bank and Trust Company of Bridgeport, Bridgeport, Connecticut, and as a director and officer of the Morris Plan Bank of Bridgeport, Bridgeport, Connecticut, for the period ending January 14, 1936.

Mr. Edmund S. Wolfe, to serve at the same time as a director and officer of The First National Bank and Trust Company of Bridgeport, Bridgeport, Connecticut, and as a director of the Morris Plan Bank of Bridgeport, Bridgeport, Connecticut for the period ending January 14, 1936.

Mr. T. W. Friend, to serve at the same time as a director and officer of the National Bank of America in Pittsburgh, Pittsburgh, Pennsylvania, and as a director and officer of The First National Bank at McKees Rocks, McKees Rocks, Pennsylvania,

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for the period ending January 14, 1936.

Mr. H. C. Winslow, to serve at the same time as a director of the First National Bank of Meadville, Meadville, Pennsylvania, and as a director and officer of The Farmers National Bank of Conneautville, Conneautville, Pennsylvania, for the period ending January 14, 1936.

Mr. M. L. Clark, to serve at the same time as a director and officer of The Industrial Bank, Elizabeth City, North Carolina, and as a director of The First & Citizens National Bank of Elizabeth City, Elizabeth City, North Carolina, for the period ending January 14, 1936.

Mr. C. B. Morrisette, to serve at the same time as a director and officer of The Industrial Bank, Elizabeth City, North Carolina, and as a director of The First & Citizens National Bank of Elizabeth City, Elizabeth City, North Carolina, for the period ending January 14, 1936.

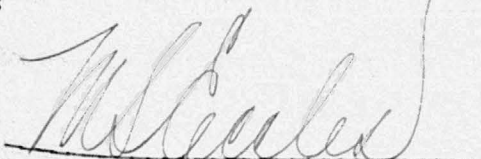
Mr. W. H. Brenton, to serve at the same time as a director and officer of the Brenton State Bank, Dallas Center, Iowa, as a director and officer of the Iowa-Des Moines National Bank & Trust Company, Des Moines, Iowa, and as a director and officer of The First National Bank of Perry, Perry, Iowa, for the period ending January 14, 1936.


Mr. G. C. Kelly, to serve at the same time as a director and officer of the Brenton State Bank, Dallas Center, Iowa, as a director and officer of The First National Bank of Perry, Perry, Iowa, and as a director and officer of the Jefferson State Bank, Jefferson, Iowa, for the period ending January 14, 1936.

Approved.

Thereupon the meeting adjourned.

Approved:


Governor.


Secretary.