

A meeting of the Federal Reserve Board was held in Washington on Wednesday, May 29, 1935, at 2:30 p. m.

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

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

The minutes of the meetings of the Federal Reserve Board held on April 27 and 29, and May 1, 6, 11, 14 and 17, 1935, were approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on May 8, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Telegram from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising that, at the meeting of the board of directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated May 27, 1935, approved by six members of the Board, to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"The Federal Reserve Board notes with approval from your telegram of May 24, 1935, that while the board of directors of your bank, at its meeting on that date, made no change in your existing schedule of rates of discount and purchase, authority was given to the executive committee to establish a different discount rate if deemed desirable before the next meeting of the full board of directors."

Approved.

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Letter dated May 20, 1935, from Mr. A. G. Lindquist submitting his resignation as a Federal reserve examiner in the Board's Division of Examinations, to take effect as of the close of business May 27, 1935.

Accepted.

Letter dated May 27, 1935, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of May 20 in connection with the replacement of Miss Adela Waterman, a stenographic and statistical clerk in the Industrial Statistics Department, who is leaving the bank about June 1.

"The Board desires to be advised whether it would not be possible for you to redistribute Miss Waterman's duties for the present so that consideration of filling this vacancy could be postponed until after the survey of the statistical function now being conducted is completed."

Approved.

Letter dated May 28, 1935, approved by five members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of February 6, 1935, the Board's letter of March 18, 1935 and Mr. Sonne's reply of April 5, 1935, all relating to the establishment by the American Trust Company, San Francisco, California, of 'foreign department agencies' on the S. S. 'Mariposa' and S. S. 'Monterey'. Your letter raises the question of the propriety of the establishment of these 'agencies' and makes it necessary to determine whether the 'agencies' are 'branches' of the Trust Company within the meaning of section 9 or section 25 of the Federal Reserve Act.

"The Board has considered the inquiry in the light of the information furnished by the Trust Company in its letter to you of March 29, 1935 wherein it replied to certain questions which were set forth in the Board's letter of March 18, 1935. Even with the benefit of the additional information so given, the Board finds the question difficult

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"of solution and desires to defer its ruling until counsel for the Trust Company has been given an opportunity of submitting an opinion supporting the action of the Trust Company in establishing the 'agencies'. In the event that counsel for the Trust Company does submit such an opinion it will be appreciated if particular attention is paid to the following questions:

(1) In view of the intent of Congress as evidenced in the Banking Act of 1933 to place State member banks on a basis of equality with national banks in the matter of establishing branches, should not an 'agency' of a State member bank be considered a 'branch' within the meaning of the second paragraph of section 9 of the Federal Reserve Act if at such agency checks are 'paid' within the meaning of that term in the definition of a 'branch' of a national bank in subsection (f) of section 5155 of the Revised Statutes, even though the 'agency' is not situated in any State or Territory of the United States or in the District of Columbia?

(2) Assuming the applicability of the definition referred to, are checks 'paid' at the 'agencies' within the meaning of the definition? Why does not the 'negotiation' of checks referred to in the second paragraph of the Trust Company's letter of March 29, 1935 constitute 'payment' if the checks are drawn on the Trust Company itself?

"It will be appreciated if you will endeavor to obtain the desired opinion of counsel for the Trust Company and will forward to the Board any opinion which is submitted accompanied by such comments as counsel for the Federal Reserve Bank of San Francisco may care to submit on the questions presented."

Approved.

Telegram dated May 27, 1935, approved by five members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Relet May 20 and May 23, 1935, regarding 'The Napoleon State Bank', Napoleon, Ohio. Board has considered the matter and in the event the Reserve Bank recommends to the Secretary of the Treasury that the bank be licensed, Board will take no action regarding membership of The Napoleon State Bank by reason of the

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"acquisition of the \$500 capital stock of The Napoleon Mortgage Loan Company in accordance with a plan of reorganization of the bank provided that the activities of the Mortgage Loan Company are limited to the purposes for which it was organized, namely, the liquidation of the assets acquired from The Napoleon State Bank and that The Napoleon State Bank will dispose of the stock of the Mortgage Loan Company as soon as such purposes for which it was organized have been accomplished.

"In the event the Reserve Bank recommends that bank be licensed, appropriate action should of course be taken by the directors of the member bank rescinding action previously taken in applying for withdrawal from System. Please furnish Board with proper evidence of action taken in this respect.

"In view of your statement that assets to be purchased by The Napoleon State Bank from The Commercial State Bank, Napoleon, Ohio, have been examined and approved by your office and that the acquisition thereof would not appear to effect materially the character of the assets of the member bank within the meaning of the general condition of membership to which it is subject, the Board will interpose no objection to the contemplated purchase provided the transaction has the approval of the State Banking Department. Please forward copies of any agreements or contracts involved in connection with the reorganization of the bank and the purchase of the assets from The Commercial State Bank, together with your counsel's opinion as to the legality thereof."

Approved.

Letter dated May 27, 1935, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of May 1, 1935, recommending approval of a proposed reduction in the common capital stock of the "B. M. C. Durfee Trust Company", Fall River, Massachusetts, pursuant to a plan which provides for the purchase and subsequent retirement by the trust company of not less than 2,800 shares and not more than 4,000 shares of capital stock (\$100 par) at \$75 per share, the difference of \$25 per share between the par value and the purchase price to be credited to surplus and undivided profits; for a reduction of 50 per cent in the remaining capital; for the elimination of all losses, including the net amount of all securities depreciation, as classified in the report of examination as of April 2, 1935,

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"and for increasing the surplus account to not less than \$400,000.

"The Board has considered the information submitted, as well as the condition of the bank as reflected in the report of examination as of April 2, 1935. It is understood that the Commissioner of Banks for the State of Massachusetts has formally approved the proposed purchase and retirement of not to exceed 4,000 shares of the trust company's capital stock and has verbally approved the reduction of 50 per cent in the capital stock remaining after such purchase and retirement, and in view of such approval, and of your favorable recommendation, the Board approves the application of the B. M. C. Durfee Trust Company, Fall River, Massachusetts, for permission to reduce its present outstanding common capital stock from \$1,180,000 to not less than \$400,000, in accordance with the plan set forth in your letter of May 1, 1935, and the accompanying correspondence, subject to the understanding that the assets to be charged off in connection with the proposed decrease in capital stock are to remain the property of the trust company; that the entire transaction will receive the formal approval of the State Commissioner of Banks, and that your counsel has considered the case and is satisfied as to its legal aspects.

"As you know the provisions of section 5201 of the Revised Statutes of the United States prohibit a national bank from being a purchaser or holder of any of its own shares and section 9 of the Federal Reserve Act makes such provision applicable to State member banks. It is not believed that this provision of law was intended to apply to a transaction of this kind where it is understood the shares purchased will be retired as a part of a plan of capital reduction authorized by State law. It has been observed that section 39 of Chapter 172 of the laws of Massachusetts contain provisions, similar to those contained in section 5201 of the Revised Statutes of the United States, prohibiting State banks in Massachusetts from purchasing their own shares, but, in view of the information submitted, it is assumed that the Commissioner of Banks and your counsel are satisfied that such provisions of the State law do not prohibit the proposed transactions in connection with the contemplated reduction in capital stock of the B. M. C. Durfee Trust Company.

"It is felt that every reasonable effort should be made on the part of the bank to notify all stockholders and to give them a reasonable time and opportunity in which to offer their shares for purchase, as suggested by the Counsel for your bank. In this connection, it is understood that all shareholders will be given the privilege of submitting stock for retirement at the price offered and if more than the number of shares determined to be retired are offered, pro rata purchases will be made.

"Inasmuch as completion of the proposed plan of capital adjustment will result in an amount of capital stock which will

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"be materially less than one-tenth of the deposit liability, the Board's approval thereof is subject also to acceptance by the trust company of the following condition:

Such bank shall maintain an amount of paid-up and unimpaired capital and unimpaired surplus which, in the judgment of the Federal Reserve Board, will be adequate in relation to its total deposit liabilities, having due regard to the general principle that a bank's capital and surplus ordinarily should not be less than one-tenth of the average amount of its aggregate deposit liabilities and, in some circumstances, should be more than one-tenth of such amount.

"Acceptance of the above condition should be evidenced by a resolution adopted by the board of directors of the trust company and spread upon its minutes, and a certified copy of such resolution should be forwarded to the Board for its records. Please have counsel for your bank pass upon the sufficiency of such resolution before it is forwarded to the Board.

"Although the trust company's authorized capital is understood to be \$1,200,000, it appears from the information submitted that \$20,000 of such authorized capital is represented by 200 shares of unissued or Treasury stock and that the amount of capital stock issued and outstanding is \$1,180,000. It seems evident, therefore, that the retirement through purchase of the proposed maximum of 4,000 shares of capital stock and a 50 percent reduction in the remaining shares would result in reducing the total of capital stock outstanding to an amount below the minimum of \$400,000 approved by the Board and apparently contemplated by the trust company and that the maximum amount retirable through purchase under the plan submitted would be 3,800 shares.

"Upon completion of the proposed plan, please advise the Board as to the actual amount of the capital reduction effected, the eliminations made, and the amount of capital, surplus and undivided profits remaining after all adjustments are completed; also please forward copies of any amendments to the trust company's charter which are adopted in connection with the capital adjustment."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of April 17, 1935, relative to the State member banks in your district which are subject to membership condition numbered 15, regarding the

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"maintenance of an adequate ratio of capital and surplus in relation to deposit liabilities.

"It has been noted that on the basis of reserve certifications for the twelve months ending November 30, 1934, all State member banks in your district, subject to condition numbered 15, had a net capital structure in excess of one-tenth of their average deposit liabilities, although capital and surplus of two of such banks, namely, 'Bank of Bethlehem', Delmar, New York, and the 'State Bank of Ontario', Ontario, New York, equalled 9.5 per cent of their average deposit liabilities.

"In view of the circumstances and your recommendation, the Board will take no action at this time to require either the Bank of Bethlehem or the State Bank of Ontario to increase its capital or surplus under the provisions of condition of membership numbered 15."

Approved.

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

"Reference is made to your letter of January 26, 1935, and the supplemental correspondence with reference to the Board's letter of June 30, 1933 (X-7469), regarding membership condition numbered 15 relative to the maintenance of an adequate ratio of capital and surplus in comparison to deposit liabilities.

"It has been noted that, based upon reserve reports for the twelve month period ending November 30, 1934, the only State member banks in your district which are subject to membership condition numbered 15 and which were found to have capital and surplus equal to less than 10 per cent of their deposits were the following:

'Union Trust Company', St. Petersburg, Florida.

'Bank of Slidell', Slidell, Louisiana.

'The Bank of Forest', Forest, Mississippi.

"Your letter of April 24, 1935, states that the Union Trust Company, St. Petersburg, has requested the Reconstruction Finance Corporation to purchase \$100,000 of the bank's preferred stock and it is assumed that upon the completion of the proposed increase in its capital the bank will have complied with the provisions of membership condition numbered 15.

"It has been observed that, while the report of examination of the Bank of Slidell as of January 31, 1935, showed capital stock of \$50,000, and no surplus account, as compared with deposits of \$515,000, the bank had undivided profits of \$200, and a reserve of \$39,500 for contingencies, which reserve, you state

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"represents in reality undivided profits. The total of all capital accounts amounted to \$89,700. After allowance for all estimated losses, doubtful assets, and depreciation in securities, the report reflected a net sound capital equal to 15 per cent of deposits. In view of the circumstances and your recommendation, the Board will take no action at this time to require the Bank of Slidell to increase its capital or surplus under the provisions of condition of membership numbered 15.

"Your letter of January 26, 1935, calls attention to the fact that The Bank of Forest has advised that it increased its surplus account by \$4,000 on December 31, 1934, and that it accordingly has now complied with the provisions of membership condition numbered 15.

"The Board has noted your comments regarding the three other State member banks in your district which were found to have a ratio of capital stock and surplus of less than 10 per cent of their deposit liabilities but which are not subject to membership condition numbered 15."

Approved.

Letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Your office has discussed with 'The First State Bank', Ness City, Kansas, the necessity of increasing its capital structure in order to provide a more adequate ratio of capital to deposits and in order to comply with the provisions of condition of membership numbered 15 applicable to the institution.

"According to the report of examination as of January 8, 1935, the bank had a net sound capital of \$31,900, including \$1,200 appreciation in securities, as compared with deposits of \$449,400. Under date of April 9, 1935, the bank advised that deposits had since been reduced to \$378,000 and that if 'the dust storms continue' a further reduction to \$300,000 may be expected within sixty days. The report of examination referred to above reflects a sound condition with no assets classified as estimated losses, doubtful or slow, and a strong liquid position with cash and United States Government securities aggregating \$356,100. In view of the circumstances and the generally satisfactory condition of the bank as reflected by the recent report of examination, the Board will take no action at this time with respect to condition of membership numbered 15 regarding the maintenance of an adequate capital position. It will be expected, however, that the directors of



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"the bank will bear in mind the necessity of maintaining an adequate capital ratio, and you are requested to review the situation at the end of the year and advise the Board as to your recommendations in the matter in view of the circumstances existing at that time."

Approved.

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

"Re telephone message from Mr. Gilson concerning 'County Bank and Trust Company', Cambridge, Massachusetts. The time specified in condition numbered 18 of conditions of membership of this bank within which 'Shawmut Association' and 'The National Shawmut Bank of Boston' shall each obtain a general voting permit is hereby extended to December 1, 1935. Please inform the bank and holding company affiliates accordingly."

Approved.

Letter dated May 25, 1935, approved by six members of the Board, to Governor Schaller of the Federal Reserve Bank of Chicago, reading as follows:

"The Board has given consideration to your letter of May 4 transmitting the opinion of your directors that the participation of the Chicago Reserve bank in the System Investment Account should be adjusted to the proper percentage. It is suggested that the matter of a change in the distribution of the Investment Account among the individual Reserve banks be considered at the next meeting of the Federal Open Market Committee, which has been called for May 27.

"The Board does not favor at this time reduction in the total holdings of United States Government securities by all Federal Reserve banks. The reasons for the Board's opinion on this matter are given in the attached memorandum, which discusses in some detail the arguments presented in your letter in favor of a reduction in your bank's holdings of Governments."

Approved.

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Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of May 11, 1935, requesting advice as to whether holders of preferred stock or capital debentures are to be considered 'other creditors' within the meaning of the following provisions of subsection (e) of section 12B of the Federal Reserve Act relating to the certification of member banks in connection with their admission to the benefits of permanent insurance of deposits by the Federal Deposit Insurance Corporation:

'Upon receipt of such application the Corporation shall request the Federal Reserve Board, in the case of a State member bank, or the Comptroller of the Currency, in the case of a national bank, to certify upon the basis of a thorough examination of such bank whether or not the assets of the applying bank are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by the books of the bank; and the Federal Reserve Board or the Comptroller of the Currency shall make such certification as soon as practicable.'

"The Board is clearly of the opinion that holders of preferred stock of a member bank occupy a similar status to holders of common stock in so far as the above provisions of law are concerned and that the holders of neither class of such stock should be considered 'other creditors'. As noted in your letter, the proposed amendments to section 12B of the Federal Reserve Act contained in the Banking Act of 1935 will eliminate any necessity for the certification of member banks in connection with their obtaining the benefits of permanent insurance of deposits if such amendments are enacted into law. Accordingly, the Board will not attempt to pass at this time upon the question whether holders of capital debentures in member banks and also of capital notes in such banks are to be considered 'other creditors'. However, if in any case you find that the amount of outstanding capital notes or debentures of a member bank has a bearing on whether it may be certified under the provisions of law above quoted, please call the Board's specific attention to such situation in making your recommendation for certification on the particular case."

Approved.

Letter dated May 27, 1935, approved by five members of the Board, to Mr. Robert S. Lovett, Brown Brothers Harriman & Company, New York,

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New York, reading as follows:

"Reference is made to your letter of May 1 in regard to two suggested amendments, described below, to the Federal Reserve Act in connection with consideration of the proposed Banking Act of 1935.

"These proposed amendments would (1) authorize any Federal Reserve bank to receive deposits from nonmember banks and bankers which are subject to examination and regulation under State or Federal law, and which are expressly permitted under State law to include balances with the Federal Reserve banks as reserves, and (2) to permit member banks in estimating their required reserve balances to deduct amounts due from private banks and bankers from their gross demand deposits.

"As stated in the preamble of the Federal Reserve Act, one of the purposes of the Act was to establish a more effective supervision of banking in the United States, and to accomplish what the law contemplates the Federal Reserve System obviously should include in its membership as large a portion as possible of the country's banking resources. To grant substantial privileges to nonmember banks and bankers without subjecting them to requirements corresponding to those imposed upon member banks would not tend to bring about an increase in the System's membership and would not, in the opinion of the Board, be in the best interests of the Federal Reserve System.

"Banks which are members of the System are required to submit to examination, to comply with the rulings and regulations of the Federal Reserve Board, and to conform to certain statutory provisions regarding their operations. These provisions should, in the opinion of the Board, apply to all banks which are granted any of the substantial privileges of membership. Section 21 of the Banking Act of 1933 provides that private bankers receiving deposits must be subject to examination and regulation under State or Federal law, but there is no provision giving either the Board or the Comptroller of the Currency any authority to require correction of unsound banking practices which may be found to exist. It is for this reason that a provision is included in Section 303b of the Banking Act of 1935 (H.R. 7617) repealing this requirement. The power to examine is of little, if any, value and may at times create a wrong impression with the public if it does not carry with it the power to require correction of banking practices which are inimical to the best interests of the public.

"Member banks are required to maintain certain minimum balances on deposit with the Federal Reserve banks, whereas nonmember banks and bankers if given the privilege of carrying accounts with the Federal Reserve banks would be under no legal obligation to maintain a specified minimum balance, and would be

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"in a position, should they so desire, to withdraw their balances at any time. Any policy which might result in building up substantial balances in the Federal Reserve banks which could be withdrawn in part or in entirety at the option of the depositors might at times seriously impair the System's ability to make effective its general policies. Furthermore, at times like the present, when member banks have substantial excess reserves with the Federal Reserve banks, the building up of deposit balances to the credit of nonmember banks and bankers would not increase in any way the earnings of the Federal Reserve banks, but would increase their expenses. In the light of these considerations, the proposed change authorizing Federal Reserve banks to receive deposits from nonmember banks and bankers does not appear to be one that the Federal Reserve Board could recommend.

"The second proposal is that member banks be permitted to deduct their balances with nonmember banks and bankers from their gross demand deposits in estimating their required reserve balances. While the deduction of items in process of collection from gross demand deposits for the purpose of determining deposit liabilities on which reserves are computed would seem fully justified, there is doubt as to the wisdom of permitting the deduction of collected fund balances with any banks. To the extent that deposits are made by one member bank with another, however, the net deposit liability of all member banks as a whole is not changed and, therefore, the privilege of deducting balances due from member banks may be justified. Under the present law and regulations member banks may also deduct balances due from nonmembers in determining the amount of demand deposits subject to reserve. To extend this privilege to balances due from private banks would be a further departure from the sound principle that only items in process of collection (for which immediate deposit credit has been given subject to actual collection) should be deducted in determining net deposit liabilities. Furthermore, it might have a tendency to encourage member banks to carry balances with correspondents other than member banks.

"Even if the effect of the proposed changes on the business of member banks were negligible, the Federal Reserve Board would find it difficult to justify on principle the extensions to nonmembers of privileges without the imposition of conditions corresponding to those imposed on member banks. The fact that the proposed changes would not enable nonmembers to share all the privileges of members, and that it would not necessarily lead to withdrawals from membership in the System, does not appear to alter the principle involved.

"The Board recognizes the fact that many strong and ably managed banks, conducting their business capably, are outside the Federal Reserve System, and it appreciates the spirit in which

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"your suggestion is made; but it does not believe that it would be consistent with its obligations to member banks, nor with the spirit of the Federal Reserve Act, to recommend the amendments which you suggest."

Approved.

Letter dated May 28, 1935, approved by six members of the Board, to Honorable Pat Harrison, Chairman of the Committee on Finance of the United States Senate, reading as follows:

"The attention of the Federal Reserve Board has been drawn to the fact that the bill H.R. 7260, the proposed Social Security Act, which it is understood was recently reported favorably to the Senate by your committee, contains certain provisions which may possibly be interpreted in such a way as to affect the Federal Reserve banks and their employees in a manner which it is believed would be contrary to the best interests of the Federal Reserve System.

"As you know, the bill provides in title II for Federal old-age benefits and requires both employers and employees to pay taxes to defray the costs of such benefits. These taxes will ultimately be at the rate of 3 percent both of wages paid by employers and wages received by employees. The term 'employment' is defined in the bill so as to exclude, among other things, service performed in the employ of the United States Government or of an instrumentality of the United States, and employees in such service are exempted from the benefits and taxes referred to. It would seem that, for the purposes of this bill, Federal Reserve banks, being created by Congress and required to act as fiscal agents of the United States, would be considered as instrumentalities of the United States; but this would be a matter of interpretation after enactment of the bill, and it would seem desirable to eliminate any doubt with respect to the matter by clarifying amendments.

"Presumably, the reason for the exemption of employees in the service of the United States Government is that there is a retirement system already provided for civil service employees. Employees of Federal Reserve banks are, of course, not subject to the Civil Service Retirement System, but there has been established for such employees, after considerable study over a period of several years, a Federal Reserve bank retirement system in which old age as well as disability and death benefits are provided. This Federal Reserve bank retirement system is believed to be working in a satisfactory manner and to be consonant with the best interests both of the Federal

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"Reserve banks and of the employees thereof.

"If the Social Security Bill is enacted into law and should be held to apply to the employees of the Federal Reserve banks, it would probably necessitate the abandonment or at least a very drastic modification of the Federal Reserve bank retirement system, because it is felt that the tax of 3 percent upon the salaries of Reserve bank employees in addition to the deductions now made from their salaries for the costs of the retirement system would be too heavy a burden for the employees to bear. On the other hand, it is felt that the benefits provided in the bill would not be sufficient to meet the needs of the employees of the Federal Reserve banks and therefore, would not provide that sense of security for employees which is believed essential if the retirement system is to serve the purposes for which it was established. These purposes, of course, were to provide an effective means of ridding the Federal Reserve System of super-annuated employees and to increase the morale and efficiency of the employees.

"The Federal Reserve banks are exempt under existing law from Federal, State and local taxation, except taxes upon real estate, and, accordingly, the tax upon employers provided in the Social Security Bill would not appear to be applicable to the Federal Reserve banks as employers. It would seem logical and reasonable that inasmuch as the tax would be inapplicable to these banks as employers it should likewise be inapplicable to the employees of such banks.

"In the circumstances, the Federal Reserve Board desires earnestly to recommend to you for consideration certain amendments to the bill which would make it clear that the bill is inapplicable to employees of the Federal Reserve banks as well as to the Federal Reserve banks themselves. There is inclosed herewith a draft of amendments which it is believed would effectively accomplish this object. The proposed amendments will exempt employees of corporations authorized to issue, or to have outstanding as a liability, obligations declared by law to be obligations of the United States or to be guaranteed by the United States. The Federal Reserve banks are authorized to have outstanding as a liability Federal Reserve notes which are declared by law to be obligations of the United States and, accordingly, their employees would be exempted by the proposed amendments. Likewise, employees of corporations of the Government which issue obligations declared by law to be guaranteed by the United States would be exempt. You will observe that the same amendment is proposed to be made in Titles II, VIII and IX of the bill in order that the exemptions may be uniform throughout the bill.

"The Federal Reserve Board feels that this is a matter of importance to the Federal Reserve banks and to the Federal Re-

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"serve System and you may be assured that the Board will greatly appreciate any steps that you may be able to take to secure the incorporation in the bill of the proposed amendments inclosed herewith."

Approved.

Letter dated May 25, 1935, approved by six members of the Board, to Honorable Edward S. Burke, United States Senate, prepared in accordance with the action taken at the meeting of the Board on May 18, 1935, and reading as follows:

"Receipt is acknowledged of your letter of April 17, 1935, requesting a list of executives and personnel of the Federal Reserve Board, assigned to the Washington office, receiving salaries of \$5,000 or more per annum, together with the home State, Washington address, title and salary in each case.

"The Federal Reserve Board has authorized the publication of salaries of individual members of its staff only in its annual report, which has not yet been rendered for the year 1934, but, in view of your request, there is attached a list as of December 31, 1934, in the form in which it will appear in the annual report, of all officers and employees of the Board, assigned to the Washington office, receiving salaries at the rate of \$5,000 or more per annum.

"A list showing the name, title or designation, Washington address, and home State of the officers and employees of the Board above referred to is also inclosed. None of the employees of the Board hold classified Civil Service positions, their salaries being paid from the proceeds of assessments against the Federal reserve banks."

Approved.

Letter dated May 27, 1935, approved by four members of the Board, to Mr. A. E. Demaray, Associate Director, National Park Service, Department of the Interior, reading as follows:

"In accordance with my conversation on May 24 in your office with you and Mr. Nagle, it will be appreciated if your organization will prepare for the use of the Federal Reserve Board and its architect, Mr. Paul P. Cret, of Philadelphia, a survey of the plot bounded by 'C', 21st, 20th Streets

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"and Constitution Avenue, upon which the new building of the Federal Reserve Board is to be constructed in accordance with a request which has been received from Mr. Cret reading as follows:

'In order to expedite matters, we would like to suggest that you have work started at once on the survey of your plot, showing the information that we will need to prepare further studies and contract documents. The preparation of this survey is, as you know, provided in the contract to be furnished by the Board to the architect.

'The survey should cover the plot bounded by C, 21st, 20th Streets and Constitution Ave., similar to your file #80.21-2 furnished with the competition program, only containing fuller information, such as the location of all curb lines, present and proposed, with grades on the curb and street at frequent intervals, together with existing grades at the usual intervals over the entire plot. It should also locate all electric power, telephone, gas, water, steam and sewer pipes, lines, etc., under adjoining streets, pavements, etc., with sizes, capacities and levels, together with trees, city street inlets, light poles, fire hydrants and all other fixed objects.'

"It is understood that you will be reimbursed by the Federal Reserve Board for such expense as may be incurred by you in furnishing the information necessary to comply with this request."

Approved, together with a letter to Mr. Wm.  
H. Livingston, c/o Paul P. Cret, Philadelphia,  
Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of May 22 in regard to the preparation of a detailed survey of the plot on which the Federal Reserve Board building is to be constructed and in regard to the locations for test borings.

"We are advised that the engineering organization of the National Park Service already has available to it a great deal of the information necessary as a basis for the survey which you desire and that it is prepared to begin the work at once with the expectation that it would be finished by the end of next week. Therefore, that organization is being asked to do the work and a copy of the letter to Mr. Demaray, Associate Director of the National Park Service, is attached hereto.

"With respect to test borings we are advised by the engineering organization of the National Park Service that work of this character for other projects of a public nature is being done under the direction of the United States Engineering Office



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"and that it is equipped to begin the work at once upon request. Therefore, as soon as you can advise us as to the locations for the desired test borings the matter will be taken up with the District Engineer at once. In this connection it is assumed that in determining the locations for the test borings you will have in mind that there is a temporary building on the site which may not be vacated before the end of August but in discussions with the engineering organization of the National Park Service it has been suggested that probably the necessary borings can be made in space not directly under any portion of the temporary building."

Letter dated May 27, 1935, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of May 14 in which you proposed to make some economies in the budget and operations of the statistical and analytical function. In the circumstances the Board believes that your proposals are desirable. The Board would like to be advised from time to time as to the public response given to your altered monthly review.

"With reference to the second paragraph of your letter, the figures for the 1934 budget referred to in the last paragraph of our letter of May 1 are those which were approved by the Board under date of April 27, 1935, rather than the figures which were included in the first column of the statement enclosed with your letter of January 14, 1935."

Approved.

Letter dated May 28, 1935, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"This refers to Mr. Fry's letter of April 25, 1935, and inclosure, with further reference to the matter of obtaining copies of amendments to the charters of State member banks in your district.

"It has been noted that your counsel has suggested that your office procure the requisite copies from such sources as are deemed reliable and furnish them to him with a statement as to how they were obtained. In the absence of anything apparent on the face of such copies indicating that they have not been correctly

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"transcribed, your counsel has advised that he will treat them as satisfactory and base his opinion entirely upon the assumption that they are authentic copies. As you were advised in the Board's letter of April 11, 1935, the Board contemplates only that you and your counsel shall be reasonably certain that accurate copies of the amendments to the charters of State member banks are obtained and, in the circumstances, it interposes no objection to the procedure thus suggested by your counsel."

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 May 21, 1935, relative to a possible violation of section 22(g) of the Federal Reserve Act involving the Commercial Bank, Delphos, Ohio, and Mr. Joseph Jettinghoff, its president.

"It is noted that on April 30, 1934, the member bank made a demand loan of \$3,400 to Mr. Mark F. Beckman, a partner of Mr. Jettinghoff, collateralized by shares of stock issued in the name of Mr. Jettinghoff, and that a certificate of deposit issued to Mr. Beckman pursuant to such loan was indorsed by him and subsequently deposited to the account of Mr. Jettinghoff. You state that you have some doubt as to whether a report should be made to the United States Attorney regarding the matter and ask advice as to what disposition should be made of the case.

"On the basis of the facts described in your letter it is not clear whether a violation of section 22(g) of the Federal Reserve Act has been committed even though the proceeds of the loan incurred by Mr. Beckman were deposited to the account of Mr. Jettinghoff. As you know, however, the Board has heretofore declined to express its opinion as to whether a particular officer of a bank was an executive officer within the meaning of section 22(g) of the Federal Reserve Act for the reason that the matter is within the jurisdiction of the Department of Justice and an expression of opinion by the Federal Reserve Board on the question would not afford protection against criminal prosecution. Likewise, the Board feels that it would be inappropriate for it to express an opinion as to whether or not certain acts constitute a violation of such provision of law.

"In the circumstances, it is suggested that you make such investigation as you deem necessary in order to determine whether the possible violation was committed knowingly or in wilful disregard of the provisions of law and handle the matter in accordance with the policy set forth in the Board's letter of February

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"13, 1935 (X-9124). Please advise the Board as to what disposition you have made of the matter.

"If you find it necessary to report this matter to the local United States Attorney, and, as the Board understands, the loan to Mr. R. H. Jettinghoff, the payment of which was guaranteed by Mr. Joseph Jettinghoff, was incurred prior to June 16, 1933, and the proceeds of the new loan were used to discharge this obligation, it is suggested that you call these facts to his attention."

Approved.

Letter dated May 27, 1935, approved by five members of the Board, to Honorable Tom Connally, Chairman of the Committee on Public Buildings and Grounds of the United States Senate, reading as follows:

"This refers to the bill S. 2674 entitled 'A Bill to authorize the furnishing of steam from the central heating plant to the Federal Reserve Board, and for other purposes' which was introduced by you on April 24, 1935. A bill containing like provisions, H. R. 7652, has been favorably reported by the Committee on Public Buildings and Grounds of the House of Representatives.

"As you know, the Federal Reserve Board was authorized by Congress at its last session to acquire a site in the District of Columbia and to construct a building thereon for the purpose of providing suitable and adequate quarters for the performance of its functions, the cost of such site and building to be assessed against the Federal Reserve banks (Act of June 19, 1934, Public No. 417, 73d Congress). The Board has acquired a site for this purpose and is proceeding with its plans for the construction of a building thereon at the earliest possible date. It has just completed a competition for the selection of an architect for its new building and as a result of the competition has selected as the architect Paul P. Cret of Philadelphia. The architect is now working upon the drawings necessary to complete the design for the building which he submitted in the competition. Before he can complete the work on these drawings, it is important to know whether it will be possible for the Board to obtain steam from the central heating plant, as would be authorized by S. 2674, or whether it will be necessary for the Board to install and maintain a separate and independent heating plant in its new building, which would of course entail considerable additional expense. The Board is anxious to begin the construction of the building as soon as may be possible and hopes that the completion of the plans by the architect may not be delayed by uncertainty as to the source of steam for the building.

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"In the circumstances the Federal Reserve Board is bringing this matter to your attention and wishes to assure you that it will greatly appreciate any steps that you may be willing to take to expedite consideration of the bill S. 2674 by the Senate."

Approved, together with a similar letter to Honorable Fritz G. Lanham, Chairman of the Committee on Public Buildings and Grounds of the House of Representatives.

Letter dated May 28, 1935, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Sifford Pearre, Baltimore, Maryland to serve at the same time as an officer of The Equitable Trust Company of Baltimore, and as a director and officer of The Maryland-Virginia Joint Stock Land Bank, both of Baltimore, Maryland, for transmittal by you to Mr. Pearre and the two banks involved, and a copy for your files.

"It is noted (F.R.B. Form 94, Item 12) that the applicant is serving as president and director of Insuranshares Certificates, Inc., Baltimore, Maryland, the business of which was described as 'investment trust'. The applicant stated that none of the corporations which he was serving, except The Equitable Trust Company, make loans secured by stock or bond collateral and apparently, therefore, the provisions of Section 8A of the Clayton Act are not applicable to his relationship with Insuranshares Certificates, Inc. However, it appears possible that the provisions of Section 32 of the Banking Act of 1933 may be applicable and it is requested that you make such investigation as is necessary to determine the status of Mr. Pearre with respect to the provisions of Section 32. You are requested to withhold delivery of the inclosed permit and copies thereof until you are satisfied that the provisions of Section 32 are not applicable to such services, in which event you are authorized to release the permit to the applicant and copies thereof to the banks involved. Please advise the Board of your action.

"When the permit and copies are forwarded to Mr. Pearre and the banks involved please advise them that the permit has

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"been issued so as to expire as at the close of January 14, 1936, as there is now pending before the Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

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

"There are inclosed the original and copies of Clayton Act permits granted to Mr. Edgar Smith, Austin, Texas, to serve as director of Fidelity Mortgage Company and as director of The American National Bank of Austin, both of Austin, Texas, and to Mr. Geo. E. Shelley, Austin, Texas, to serve as director of Fidelity Mortgage Company and as director of The Capital National Bank in Austin, Austin, Texas.

"With your letter of March 1, 1935, you inclosed a copy of the opinion of counsel for your bank to the effect that Fidelity Mortgage Company is not a 'bank, banking association, or trust company' within the meaning of section 8 of the Clayton Act. However, while Fidelity Mortgage Company is organized under a statute relating to private corporations 'without banking privileges', it appears that the company is subject to examination by the State Banking Commissioner, that it is authorized to loan money and to issue its 'debentures', and that it has outstanding 'certificates of deposit other than for money borrowed' in the amount of \$56,268.58. In the circumstances, after carefully considering this question and in the light of its prior rulings, including that published in the Federal Reserve Bulletin for March 1934 at page 180, the Board is of the opinion that Fidelity Mortgage Company in effect receives deposits and is to be regarded as a bank within the meaning of the provisions of the Clayton Act.

"In transmitting the permits to the applicants, please advise the applicants and the banks that the permits have been issued so as to expire at the close of January 14, 1936 as there is now pending before the Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

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Letters dated May 29, 1935, approved by four members of the Board, to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. W. H. Miller, to serve at the same time as a director and officer of The National Branch Bank of Madison, Madison, Indiana, and as a director and officer of the Madison Safe Deposit & Trust Company, Madison, Indiana, for the period ending January 14, 1936.

Mr. John W. Tevis, to serve at the same time as a director and officer of The National Branch Bank of Madison, Madison, Indiana, and as a director and officer of the Madison Safe Deposit & Trust Company, Madison, Indiana, for the period ending January 14, 1936.

Mr. F. A. Foley, to serve at the same time as a director and officer of the Rolette County Bank of Rolla, Rolla, North Dakota, and as a director of The First National Bank of Cando, Cando, North Dakota, for the period ending January 14, 1936.

Mr. W. E. Grisso, to serve at the same time as a director and officer of The First State Bank, Seminole, Oklahoma, as a director and officer of The Security National Bank of Norman, Norman, Oklahoma, and as a director and officer of the American National Bank of Shawnee, Shawnee, Oklahoma, for the period ending January 14, 1936.

Mr. W. E. Harber, to serve at the same time as a director and officer of the American National Bank of Shawnee, Shawnee, Oklahoma, as a director and officer of The First National Bank of Seminole, Seminole, Oklahoma, and as a director of The Liberty National Bank of Oklahoma City, Oklahoma City, Oklahoma, for the period ending January 14, 1936.

Mr. H. T. Riddle, to serve at the same time as a director and officer of the American National Bank of Shawnee, Shawnee, Oklahoma, and as a director and officer of The First National Bank of Seminole, Seminole, Oklahoma, for the period ending January 14, 1936.

Approved.

Letters dated May 28, 1935, approved by five members of the Board, to applicants for Clayton Act permits advising respectively of the

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issuance of permits by the Board as follows:

Mr. W. N. Andrews, to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. J. M. Beeler, to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. Paul Benninghofen, to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. Peter Benninghofen, to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. Don W. Fitton, to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. Harry E. Hughes, to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. E. M. Ruder, to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

Mr. H. B. Zornow, to serve at the same time as an officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as an officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending January 14, 1936.

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Mr. Charles H. Buck, to serve at the same time as officer of The Equitable Trust Company of Baltimore, Baltimore, Maryland, and as director and officer of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. Charles J. Hanzlik, to serve at the same time as an officer of The Equitable Trust Company of Baltimore, Baltimore, Maryland, and as an officer of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. Robert G. Merrick, to serve at the same time as a director and officer of The Equitable Trust Company of Baltimore, Baltimore, Maryland, and as a director and officer of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. Thomas W. Pangborn, to serve at the same time as a director of The Equitable Trust Company of Baltimore, Baltimore, Maryland, and as a director of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. Hugh L. Pope, to serve at the same time as an officer of The Equitable Trust Company of Baltimore, Baltimore, Maryland, and as a director and officer of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. Frank H. Zouck, to serve at the same time as a director of The Maryland-Virginia Joint Stock Land Bank, Baltimore, Maryland, and as a director and officer of Reisterstown Savings Bank, Reisterstown, Maryland, for the period ending January 14, 1936.

Mr. R. R. Ray, to serve at the same time as a director of the National Bank of Commerce of Gastonia, Gastonia, North Carolina, and as a director of the Bank of Mount Holly, Mount Holly, North Carolina, for the period ending January 14, 1936.

Mr. A. M. Grimsley, to serve at the same time as a director and officer of The First National Bank of Fayette, Fayette, Alabama, as a director of The First National Bank of Clanton, Clanton, Alabama, and as a director and officer of the Walker County Bank of Jasper, Jasper, Alabama, for the period ending January 14, 1936.

Mr. M. E. Singleton, to serve at the same time as a director of the First National Bank in St. Louis, St. Louis, Missouri, as a director and officer of the Citizens National Bank in Waxahachie, Waxahachie, Texas, and as a director and officer of the First National Bank at Farmersville, Farmersville, Texas, for the period ending January 14, 1936.



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Mr. O. J. Sullivan, to serve at the same time as a director and officer of The National Stock Yards National Bank of National City, National Stock Yards, Illinois, and as a director of the Delmar Bank of University City, University City, Missouri, for the period ending January 14, 1936.

Approved.

There were then presented the following applications for changes in stock of Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
The Bay National Bank of Panama City, Panama City, Florida.	36	36
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 5.</u>		
The Page Valley National Bank of Luray, Luray, Virginia.	12	
The National Bank of Logan, Logan, West Virginia.	6	
Farmers and Merchants Bank of Lawrenceville, Lawrenceville, Virginia.	6	
American National Bank and Trust Company, of Danville, Danville, Virginia.	<u>15</u>	39
<u>District No. 7.</u>		
Davenport Bank and Trust Company, Davenport, Iowa.	60	
The Illinois National Bank and Trust Company of Rockford, Rockford, Illinois.	<u>30</u>	90
<u>District No. 10.</u>		
The American National Bank of Sidney, Sidney, Nebraska.	3	3
<u>District No. 12.</u>		
The First National Bank of Gardiner, Gardiner, Oregon.	6	
The United States National Bank of San Diego, San Diego, California.	<u>24</u>	30
	<u>Total</u>	<u>162</u>

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u> The Watsessing Bank, Bloomfield, New Jersey.	180	180
<u>District No. 8.</u> The First National Bank of Percy, Percy, Illinois.	19	19
<u>District No. 9.</u> The First National Bank of Rolla, Rolla, North Dakota.	30	
The Twin Cities National Bank of St. Paul, St. Paul, Minnesota.	72	
The First National Bank of Leola, Leola, South Dakota.	<u>21</u>	123
<u>District No. 10.</u> The First National Bank of Roy, Roy, New Mexico.	24	24
<u>District No. 11.</u> The First National Bank of Pampa, Pampa, Texas.	60	60
<u>District No. 12.</u> First National Bank in Bakersfield, Bakersfield, California.		
	<u>360</u>	<u>360</u>
	Total	766

Approved.

Thereupon the meeting adjourned.

Cheser Moriel  
Secretary.

Approved: [Signature]  
Governor.