

A meeting of the Federal Reserve Board was held in Washington on Wednesday, June 5, 1935, at 3:15 p. m.

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

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

There was submitted a memorandum dated June 4, 1935, from Mr. Vest, Assistant General Counsel, to which was attached a draft of a proposed agreement to be entered into between the Federal Reserve Board and Paul P. Cret, architect for the Board's new building. The memorandum stated that the agreement was in a form which the architect stated in a letter dated May 29, 1935, he was prepared to sign, except that no understanding as to the periods within which the preliminary drawings and the contract drawings must be prepared by the architect had been reached at the time his letter was written. The memorandum also stated that this matter had been taken up with Mr. Livingston, one of the partners of Mr. Cret's firm; that Mr. Livingston had advised that periods of 60 days for the completion of the preliminary drawings and 120 days for the completion of the contract drawings after approval by the Board of the preliminary drawings -- a total of about 6 months -- are agreeable; and that these periods had been inserted in the contract. The memorandum suggested that, if the contract as proposed was agreeable, the Board approve it and authorize the execution of duplicate originals thereof by the Building Committee (Mr. Miller), with the seal of the Board affixed and attested

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by the Board's Secretary, following which the signature of Mr. Cret would be obtained.

The contract was approved, and Mr. Miller was authorized to execute it in accordance with the suggestion contained in Mr. Vest's memorandum.

The Board then acted upon the following matters:

Telegram from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, 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.

Telegram to Governor McKinney of the Federal Reserve Bank of Dallas, reading as follows:

"Your telegram. Upon authorization by your executive committee, Board approves such extension of vacation periods of F. C. Magee and E. P. Neilan as may be necessary to enable them to attend graduate school of banking June 17 to 29, inclusive."

Approved.

Letter to the board of directors of "The Algonac Savings Bank", Algonac, Michigan, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved.

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

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"Inclosed for your information are copies of the following correspondence between Mr. Guy L. Wildermuth, Chairman, Depositors' Committee, Bank of Auburn, Auburn, Pennsylvania, and the Board:

Letter dated April 23, 1935, from Mr. Wildermuth, with inclosures.

Letter dated May 14, 1935, from the Board.

Letter dated May 20, 1935, from Mr. Wildermuth.

"No reply has been made to Mr. Wildermuth's letter of May 20, 1935, inasmuch as it is considered that the Board's letter of May 14, 1935, adequately disposed of the matter so far as the Board is concerned."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Silver Creek National Bank', Silver Creek, New York, from \$100,000 to \$10,000, pursuant to a plan which provides that the released capital shall be used to eliminate \$90,000 of the least desirable assets in the bank, all as set forth in your memorandum of May 28, 1935.

"In considering the plan under which the reduction in common capital stock is to be effected, it has been noted that your examiner severely criticizes the active management of the bank. It is assumed, however, that this matter is receiving the attention of your office."

Approved.

Memorandum dated May 17, 1935, from Mr. Parry, Chief of the Division of Security Loans, recommending that the Board renew the existing temporary arrangement with the firm of Haskin & Sells, Certified Public Accountants, New York City, for the same purposes and on the same terms and conditions as the original contract covering the performance for the Board of certain services by the firm in connection with matters arising under the Securities Exchange Act of 1934, except that the term of the renewal be for a period of six months from May 31, 1935, and that the total cost to the Board shall not exceed \$500 per month, or a total

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cost of \$3,000.

Approved.

Letter to the president of each member bank of the Federal Reserve System, reading as follows:

"The Federal Reserve Board is at the present time undertaking to appraise the usefulness of some of the publications now being compiled and circulated by the Federal Reserve System. For this purpose, it will be appreciated if you will fill in the answers to the questions on the inclosed sheet and return it to the Federal Reserve Board, Washington, D. C., as promptly as possible, using the inclosed addressed envelope which requires no postage."

Approved.

Letter to the Attorney General of the United States, reading as follows:

"This refers to the Board's letter of April 13, 1935, reporting a possible violation of the provisions of section 22(g) of the Federal Reserve Act involving the Citizens State Bank, Westbrook, Minnesota, a member of the Federal Reserve System, and Christ Ewy, Vice President of that institution.

"In connection with this matter there is inclosed for such action as you consider advisable a copy of a letter from the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis to the Board's Secretary, dated May 27, 1935, together with a copy of the Board's reply thereto. Your particular attention is invited to the parts of the inclosed letter which indicate that Mr. Ewy is not performing the usual functions of an executive officer of a bank and which contain statements of the Federal Reserve Agent to the effect that the bank's withdrawal from the Federal Reserve System, because of the situation involved, would have a bad effect on other prospective member banks.

"It appears that the District Attorney has selected this case as a test case and insists upon forcing it in order to obtain a judicial definition of the term 'executive officer' as used in section 22(g) of the Federal Reserve Act. As you know, section 326 of the proposed Banking Act of 1935 (H.R. 7617) which has already passed the House of Representatives and is now pending in the Senate, amends section 22(g) so as to eliminate the criminal penalties for violation of such section and also authorizes the Federal Reserve Board to define the term 'executive officer' and to otherwise

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"enforce its provisions."

Approved.

Thereupon the meeting adjourned.

Robert Morie
Secretary.

Approved:

J. J. Thomas
Vice Governor.