

A meeting of the Federal Reserve Board was held in Washington on Friday, June 14, 1935, at 11:00 a. m.

PRESENT: Mr. Eccles, Governor
Mr. Hamlin
Mr. Miller
Mr. Szymczak
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Thurston, Special Assistant to the Governor

Governor Eccles reported that he had attended a conference yesterday afternoon in the office of the Secretary of the Treasury at which Secretary Morgenthau, Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, Mr. O'Connor, Comptroller of the Currency, and himself, had conferred with a group of bankers, including Mr. Tom K. Smith, Vice President of the American Bankers Association, regarding the provisions of the Banking Bill of 1935. The bankers urged that the Administration agree to the separation of Title II from the bill or to a compromise which would result in reposing open market authority in a committee consisting of the six appointive members of the Board and five Governors of the Federal reserve banks, with the understanding that such committee would have an executive committee consisting of three members of the Board and two Governors. Governor Eccles stated that Secretary Morgenthau discussed these matters with the President and informed the meeting that the President would not agree to the separation of Title II from Titles I and III of the bill or to the suggested compromise with respect to the membership of the open market committee. Governor Eccles said, however, that Secretary Morgenthau indicated that

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the President would consider a modification of the proposal which he (Governor Eccles) had previously offered in his testimony before the Banking and Currency Committees of both Houses of Congress which contemplated that open market authority would be centered in a committee consisting of the eight members of the Board with an advisory committee composed of five Governors, to the extent of permitting the five governors to vote instead of requiring that they serve in a purely advisory capacity. In addition, Governor Eccles said, the conference considered what action should be taken to comply with the provisions of existing law with respect to banks which are not members of the temporary insurance fund of the Federal Deposit Insurance Corporation. He pointed out that under existing law the permanent insurance plan will become operative on July 1, 1935, and that in order to obtain the benefits of the permanent insurance every bank which is a member of the temporary fund must become a Class A stockholder of the Federal Deposit Insurance Corporation on or before that date. It was suggested at the conference, he said, that a statement be prepared and released to the press over the signatures of the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency and the Governor of the Federal Reserve Board, jointly, in order that bankers and the public generally might be informed fully as to the existing situation. He stated that Secretary Morgenthau and Mr. Crowley felt strongly that a statement of this character should be issued and that, at the time, he had interposed no objection. Mr. Thurston, at Governor Eccles' request, then read the following draft of a proposed

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press release:

"In the absence of final action by Congress on the pending Banking Bill of 1935, the permanent insurance plan provided for by Section 12B of the Federal Reserve Act, as amended, will become operative under the terms of the present law on July 1, 1935. In order to obtain the benefits of the permanent insurance, every bank which is a member of the temporary Federal Deposit Insurance Fund must become a class A stockholder of the corporation on or before July 1, 1935. For this purpose the corporation is sending out the necessary application forms to all such banks. As the amount of stock which each bank is required to subscribe and pay for must be computed in accordance with regulations prescribed by the Federal Reserve Board, that Board has promulgated the necessary regulation and copies of the regulation are being sent to all banks which are members of the temporary fund. The law requires that upon receipt of the application of each insured bank 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 as to the adequacy of the assets of the applying bank to enable it to meet all of its liabilities to depositors and other creditors as shown by its books. State banks which are not members of the Federal Reserve System must also apply for Class A stock, but inasmuch as the necessary certification was furnished by the State Supervisory authorities at the time of their admission to the fund, no further certification is required.

"Blank forms which may be used in applying for Class A stock in the Corporation are being sent out to the banks and plans are being completed for putting the permanent plan into effect on July 1.

"In order that the transition from the temporary fund to the permanent insurance may be effected smoothly and without unnecessary delay or confusion, it is urged that every bank fill out its application and file it with the office of the Federal Deposit Insurance Corporation promptly upon receipt.

"The permanent insurance plan was scheduled to go into effect on July 1, 1934, but the effective date was postponed for one year by the Congress. A revised plan for permanent insurance is now pending before a subcommittee of the Senate Committee on Banking and Currency, having been passed by the House of Representatives on May 9. In view of the impossibility of definite assurance that this legislation, included in the Banking Act of 1935, will be enacted before July 1, the Federal Deposit Insurance Corporation is accordingly prepared to receive applications for continuance of insurance coverage."

Mr. Miller said that it was not clear to him why it was considered necessary or desirable to give out a statement to the press regarding the

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matter and that, in any event, he would suggest the deletion of the last paragraph of the foregoing draft. Mr. O'Connor stated that he had just come from a meeting of the board of directors of the Federal Deposit Insurance Corporation and that he also had suggested the omission of the last paragraph although he had yielded to the majority opinion in the matter.

Governor Eccles stated that while he had seen no particular objection to making the announcement when the matter had been previously considered, the more he thought about it, the more he was inclined to the view that, if any announcement at all were made, it should be made by Mr. Crowley as Chairman of the Federal Deposit Insurance Corporation and that the Comptroller of the Currency and the Federal Reserve Board should not be parties to the statement. He said that upon reflection it seemed to him that the matter of having the banks apply for Class A stock in the insurance corporation, and otherwise comply with the provisions of existing law in this respect, concerned only the Federal Deposit Insurance Corporation since the Comptroller of the Currency and the Federal Reserve Board had a purely administrative function to perform in certifying whether or not the assets of applying member banks are adequate to enable them to meet all of their liabilities to depositors and other creditors. Mr. O'Connor said that he subscribed fully to this view and added that he believed no statement whatever should be given to the press. He felt that such an announcement would cause repercussions from the banking interests of the country and shake the confidence of the

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public, resulting in the withdrawal of deposits which the banks could not prevent because they would not be in a position to assure depositors that they would be admitted to the permanent insurance fund. Mr. Miller stated that, in his opinion, such publicity could have no good results and, on the contrary, might serve to scare both the bankers and the public.

The course of the discussion embraced the following points:

Under the provisions of Section 12B of the Federal Reserve Act, as amended, every bank which is or which becomes a member of the Federal reserve system on or before July 1, 1935, is required to take all steps necessary to enable it to become a class A stockholder of the corporation on or before that date; every member bank is required to apply to the Federal Deposit Insurance Corporation for class A stock in the Federal Deposit Insurance Corporation; and "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". No action by the Federal Reserve Board with respect to the certification of such banks is required until the corporation has received applications for class A stock and has requested such

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certification, the first step in the procedure being the filing of the applications of the banks with the corporation; and the preparation of proper forms of application and the furnishing of such forms to insured banks is the function of the Federal Deposit Insurance Corporation. The act contemplates that the Federal Reserve Board will prescribe regulations with regard to the computation of total deposit liabilities of member banks as a basis for the determination of the amount of class A stock to be issued by the corporation to each eligible bank, and a draft of such regulations has been prepared. Upon favorable action today by the Board the regulations will be issued immediately. All preparations have been made to enable the Board to certify prior to July 1, 1935, upon the request of the corporation, whether or not the assets of each State member bank applying for class A stock are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by the books of the bank. If the applications are received by the corporation, and the necessary request pursuant thereto is made by the corporation upon the Federal Reserve Board, prior to July 1, 1935, there appears to be no reason why the existing law cannot be complied with by that date with respect to all eligible State member banks. The Board was informed by the Comptroller that he is prepared if necessary to furnish the necessary certifications to the corporation within 24 hours after the receipt by the Comptroller's office of the corporation's request therefor.

The law as originally enacted set July 1, 1934, as the date

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upon or prior to which all insured banks must become class A stockholders of the Federal Deposit Insurance Corporation in order to continue the insurance of their deposits after that date. This provision of the law was amended so as to extend the time to July 1, 1935. The question of deposit insurance has been for some time a major subject of discussion among bankers, and particularly since the introduction of the banking bill of 1935, and it is believed that bankers generally are aware of the situation. Aside from the apparent lack of any necessity for a public announcement of what is already generally known among bankers, unnecessary disturbance of mind and questions might be created by the issuance of such a public announcement at this time and undesirable inferences might be drawn therefrom. Such an announcement, particularly if given the formidable appearance of a joint action of the three agencies of the Government which have greatest power over banking throughout the country, might create great concern and result in questions as to whether deposits in particular banks would continue to be insured after July 1; and no banker could truthfully give assurance that the deposits in his bank would be insured after July 1 until he received formal advice from the Federal Deposit Insurance Corporation that the subscription of his bank to class A stock had been accepted and paid for. Bankers in this situation would find themselves in a difficult predicament and might be subjected to panic stricken withdrawals of funds. Mr. O'Connor stated that the question of any public announcement had given him much disturbance of mind as to the possible effect upon the public. During the course of

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the discussions Governor Eccles and Mr. O'Connor successively were called to the telephone at the request of Secretary Morgenthau, who sought their advice as to the advisability of issuing the announcement. Governor Eccles reported that he had advised the Secretary that he felt that it was not necessary, that it would be unwise to make any announcement whatever, that it was the opinion of the members of the Board that it should not be a party to such an announcement, and that consequently as Governor of the Board he could not join in such an announcement. Mr. O'Connor reported to the Board that in his conversation with the Secretary he had stated that, as the Secretary had asked for his advice upon the matter, he had made a vigorous objection to the issuance of any announcement at all, stating that he felt that it would be not only unnecessary but unwise and undesirable from every point of view.

After a full discussion of the matter, the Board was unanimously of the opinion that it would be injudicious to issue such a statement and that in any event it should not join in any announcement on the subject which Mr. Crowley might decide to make.

Governor Eccles requested that a full statement of the Board's position be incorporated in the minutes, which has been done in the text of these minutes preceding the above statement of the Board's action.

Governor Eccles stated that under existing law (Section 12B(e) of the Federal Reserve Act) the Board is required to issue regulations covering the computation by member banks of total deposit liabilities on which are to be based subscriptions for class A stock of the insurance corporation for which member banks are required to apply on or

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before July 1, 1935. He said that the Board's staff had prepared a proposed regulation to be contained in a telegram to all Federal reserve agents with instructions to have such regulation printed or mimeographed and copies thereof distributed immediately to all member banks in their respective districts. At Governor Eccles' request, Mr. Morrill read the following proposed telegram:

"Pursuant to provisions of section 12B(e) of the Federal Reserve Act authorizing Federal Reserve Board to prescribe regulations covering computation by member banks of total deposit liabilities on which are to be based subscriptions for class A stock of Federal Deposit Insurance Corporation for which member banks are required by existing law to apply on or before July 1, 1935, the Federal Reserve Board prescribes the following regulations:

"The term "total deposit liabilities" for purpose of determination by member banks of the amounts of subscriptions for class A stock of Federal Deposit Insurance Corporation under provisions of section 12B(e) of the Federal Reserve Act means the member bank's gross deposits as of June 19, 1935, less items in process of collection: Provided, however, That any bank organized subsequent to June 19, 1935 shall compute the amount of its subscription for class A stock of the Federal Deposit Insurance Corporation on the basis of such total deposit liabilities as of the close of business on the date upon which it becomes a member bank. The term "gross deposits" (items 15 to 19 inclusive in Comptroller of the Currency's form of report of condition for national banks used as of March 4, 1935 and items numbered 14 to 18 inclusive in Federal Reserve Board's form of report of condition for State member banks used as of same date) means the sum of United States Government and Postal Savings deposits, public funds of States, counties, school districts, or other subdivisions or municipalities, deposits of other banks, certified and cashier's checks outstanding, and cash letters of credit and traveler's checks outstanding and all other demand and time deposits, including items credited to depositors' accounts subject to final payment but not including deposits payable only at an office located in a foreign country. The term "items in process of collection" means the sum of cash items with Federal Reserve Banks in

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"process of collection and exchanges for clearing house and other checks on local banks (items 4 and 7 of schedule I in the form of report of condition used by member banks as of March 4, 1935) plus such part of amounts "due from banks" (items 5 and 6 of the same schedule) as represents uncollected cash items."

"Please have regulation set out above printed or mimeographed and copies thereof distributed immediately to all member banks in your district."

Mr. Morrill drew particular attention to the fact that it was proposed to fix June 19, 1935, as the date as of which computations should be made and suggested that the Board might wish to give careful consideration to whether some earlier date would not be more appropriate in view of the practical difficulties which might be entailed by specifying a future date. Mr. O'Connor suggested that March 4, 1935, be substituted in lieu of June 19, 1935, since the former is the date of the last call report and figures at the close of business that date are available from such reports now on file in his office with respect to national banks and in the office of the Board's Division of Bank Operations with respect to State member banks.

Governor Eccles raised a question as to what would be the situation with respect to nonmember banks inasmuch as they were not requested by the Federal Deposit Insurance Corporation to submit a call report as of March 4, 1935. It was suggested that December 31, 1934, might be used but objection was made on the ground that, in some cases, there might have been some "window dressing", for that particular date. Governor Eccles indicated that he agreed that it would not be satisfactory to use December 31, 1934, but he believed that it was distinctly desirable

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to use a back date rather than a future date. Mr. Clayton called attention to the fact that the proposed telegram instructed the Federal reserve agents to send the regulation only to member banks and he suggested that it might be preferable to say "banks concerned", rather than "member banks".

Mr. Wyatt explained that it was understood that the Federal Deposit Insurance Corporation would send appropriate instructions and application forms to all nonmember banks which were covered in the temporary insurance fund through their branch offices which he understood were located in each Federal reserve bank city.

Governor Eccles thought that Mr. Clayton's point was well taken and suggested that it would be desirable for the Federal reserve banks to distribute regulations to all banks which would apply for coverage in the permanent insurance fund. He said that the Federal Deposit Insurance Corporation had only skeleton branch offices which, he assumed, would not be in a position to perform the task as easily as the reserve banks. Mr. O'Connor concurred in this view. Mr. Miller thought that the Board should check with the Federal Deposit Insurance Corporation on this point and Mr. O'Connor left the room to discuss the matter over the telephone with other officials of the corporation. He reported back that the Federal Deposit Insurance Corporation's facilities were available and the corporation felt that it was in a position to handle efficiently the transmission of such regulations and forms to all nonmember banks. Mr. O'Connor said that while he personally did not agree in this, he thought that, in the

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circumstances, the proposed telegram was in satisfactory form as drafted with the exception of the substitution of "the close of business on March 4, 1935", for "June 19, 1935", where that date first appeared in the telegram, and "March 4, 1935", where that date again appeared.

Thereupon the Board unanimously approved the telegram quoted above, as revised to incorporate the change suggested by Mr. O'Connor, and authorized the Secretary to send it out immediately.

Mr. Morrill read the following letter dated June 13, 1935, which was addressed to the Board by Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation:

"Please permit me to direct your attention to subsection (e) of Section 12B of the Federal Reserve Act, as amended, wherein provision is made for banks which are members of the Federal Reserve System becoming class A stockholders of the Federal Deposit Insurance Corporation. The subsection provides that every member bank 'on or before July 1, 1935, shall take all steps necessary to enable it to become a class A stockholder of the Corporation on or before July 1, 1935' and further that 'Except as provided in subsection (g) of this section, if any State member bank shall not have become a class A stockholder of the Corporation on or before July 1, 1935, the Federal Reserve Board shall terminate its membership in the Federal Reserve System'.

"It is made the duty of every member bank to apply to the Corporation for class A stock and of the Federal Reserve Board, in the case of a state member 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 *** shall make such certification as soon as practicable'.

"The amount of the subscription is governed by the 'total deposit liabilities as computed in accordance with regulations prescribed by the Federal Reserve Board' and an immediate payment is required equal to $\frac{1}{4}$ of 1% of the amount of such total deposit liability.

"Although no applications for class A stock have been received, it is assumed by this Corporation that the steps necessary to be taken in order to qualify banks for membership in the Corporation and to prevent forfeiture of membership in the Federal Reserve

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"System will be taken.

"In view of the fact that the proposed Banking Act of 1935 which has been pending in Congress since February 6, 1935, and which relieves both the banks and the Federal Reserve Board of the duties and obligations mentioned above is not yet reported for passage in the Senate, may I inquire what provision is being made to assure compliance with the existing law in the event the pending Bill should not be passed before July 1, 1935?"

"I shall be glad to cooperate in any way possible to facilitate the consummation of membership in this Corporation of the banks which are members of the Federal Reserve System."

Mr. Morrill stated that a similar letter had been addressed under the same date to the Comptroller of the Currency by Mr. Crowley and that Mr. O'Connor had transmitted a copy of that letter, together with his reply thereto, to the Board for its information.

(Secretary's note: Mr. O'Connor's letter of transmittal was dated July 13, 1935, whereas it evidently was intended to be dated June 13, 1935)

Mr. Morrill then read the replies to Messrs. Crowley and O'Connor which had been prepared by the staff for the Board's consideration.

The reply to Mr. Crowley read as follows:

"Receipt is acknowledged of your letter of June 13, 1935 inviting the attention of the Federal Reserve Board to the provisions of subsection (e) of section 12B of the Federal Reserve Act, as amended, requiring all banks which are members of the Federal Reserve System to take all steps necessary to become class A stockholders of the Federal Deposit Insurance Corporation on or before July 1, 1935. You inquire what provision is being made to insure compliance with the existing law in the event that the proposed Banking Act of 1935 is not enacted before July 1, 1935.

"Under the provisions referred to every member bank is required to apply to the Federal Deposit Insurance Corporation for class A stock in the Federal Deposit Insurance Corporation and it is provided that 'Upon receipt of such application the Corporation shall request the Federal Reserve Board, in the case of a State member bank, to certify upon the basis of a

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"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."

"It will be observed that no action by the Federal Reserve Board with respect to the certification of such banks is required until the Corporation has received applications for class A stock and has requested such certification. The first step in the procedure, therefore, is the filing of the applications with the Corporation; and the preparation of proper forms of application and the furnishing of same to member banks is the function of the Federal Deposit Insurance Corporation. However, the Federal Reserve Board will be glad to cooperate with the Corporation and to assist it in any way possible in the performance of this task.

"The act contemplates that the Federal Reserve Board will prescribe a regulation with regard to the computation of the total deposit liabilities of member banks. The Federal Reserve Board's staff had prepared a draft of such a regulation prior to the receipt of your letter and the Board expects to issue a regulation on the subject today or tomorrow. It will be telegraphed to all Federal Reserve banks with a request that they send copies immediately to all member banks in their respective districts. It is assumed that by a similar procedure your Corporation can place copies promptly in the hands of all nonmember banks through your regional offices; but, if you are unable to do so, the Board will be glad to request the Federal Reserve banks to do so.

"The Federal Reserve Board is prepared to certify prior to July 1, 1935, upon the request of the Corporation, whether or not the assets of each State member bank applying for class A stock are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by the books of the bank. If applications are received from them by the Corporation prior to July 1, 1935, therefore, there would seem to be no reason why the existing law cannot be complied with by that date with respect to all eligible State member banks."

The reply to Mr. O'Connor read as follows:

"I have received your letter of July 13, 1935 inclosing for my information a copy of a letter which you had received on the same day from the Chairman of the Federal Deposit Insurance Corporation with respect to compliance before July 1, 1935 with the provisions of existing law pertaining to the permanent insurance of the deposits of all member banks of the Federal Reserve System, together with a copy of your reply. The Federal Reserve Board

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"received an almost identical letter from the Chairman of the Federal Deposit Insurance Corporation and I am inclosing for your information a copy of my reply.

"Prior to the receipt of your letter and that of the Chairman of the Federal Deposit Insurance Corporation the staff of the Federal Reserve Board had commenced the preparation of the necessary regulation for the computation of total deposit liabilities of member banks in accordance with the provisions of subsection (e) of section 12B of the Federal Reserve Act; and the Board expects to issue a regulation on this subject today or tomorrow. In order to expedite matters, however, it is contemplated that, instead of having the regulation printed in Washington, the text thereof will be telegraphed to all Federal Reserve banks with a request that they send copies immediately to all member banks in their respective districts. In the circumstances, it would not seem necessary for you to distribute copies to all national banks; but the Board will be very glad to furnish you a copy of the regulation as soon as it is issued and to furnish such additional copies as you may need as soon as possible."

After discussion, upon motion by Mr. O'Connor, the Board approved the suggested replies and authorized the Governor to send them out without circulation to members of the Board.

Governor Eccles stated that following his radio speech in the National Radio Forum on May 25, 1935, a memorandum had been circulated to members of the Board indicating his desire to send copies of the speech, together with copies of the speech which he made on June 5, 1935, before the Pennsylvania Bankers Association at Scranton, Pennsylvania, to all member banks. He said that the memorandum was circulated and approved by several members of the Board but that Mr. Miller had suggested that the matter be brought up at a Board meeting for discussion. Governor Eccles stated that he had been given a difficult assignment on legislation by the administration and that he was looked upon as the administration's sponsor of the proposed banking legislation. He said that both of his speeches dealt largely with Title II of the Banking

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Bill of 1935, and he felt that bankers generally were vitally interested in the questions involved. He felt that this was the only way that he could officially offset some of the false propaganda disseminated by the Committee for the Nation, the Liberty League and other organizations in New York particularly and that he should be authorized to have the speeches printed and distributed to all member banks at the expense of the Board. Mr. Hamlin said that he saw no objection to the Governor or Board members sending out copies of their speeches on official matters at the expense of the Board.

Mr. Miller said that his objection to the suggested procedure was based largely on the fact that it had been the Board's policy in the past not to permit such practice unless the material dispatched as official business consisted of public documents. He believed, he said, that the facilities of the Federal Reserve System should not be used for such purpose. Although he agreed that any Board member has the right to express his individual opinions officially, he thought that the Board should keep scrupulously free as a Board in such matters. He said that he thought one of the greatest obstacles in the way of the enactment of the proposed banking legislation was the feeling in some quarters that there is a lack of independence on the part of the Board as a body and a suspicion that it is dominated by the administration. The transmittal, he believed, of material expressing the views of the administration as business of the Board helped to crystallize such unfavorable opinion.

Governor Eccles pointed out that he spoke in the National Radio

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Forum at the request of The Washington Star in the same manner as other Washington officials such as the Secretary of Agriculture, Chairman Fahey of the Federal Home Loan Bank Board and others, and that he felt that the speech, together with those which he had made on two previous occasions before bankers conventions might properly be construed as official.

Mr. Hamlin said that he considered that the Governor had the right to make such statements as a member of the Board, and he could see no reason why the Board should not pay the expense if a member of the Board wanted to send out copies of a speech he had made in his capacity as a Board member. He referred to the Board having once sent out a speech by Senator Glass which was printed as a public document.

Mr. Miller stated that it would be found that there had been some addresses, particularly of Mr. Warburg, published in the Bulletin and that a situation arose which caused the Board to consider the whole matter, whereupon it had decided that no addresses of members of the Board should be published by the Board in the Bulletin. He added that they were rather unimportant, but they did cause some comment, not to say criticism, as it appeared that they had a little of an argumentative slant; that the Board felt as a matter of general policy that it must keep scrupulously free as a Board from any suspicion of bias or propaganda; and that he felt that it was a sound position.

Mr. O'Connor said that he had very definite views on the subject; and that it was his personal opinion that when members of the Board, using their own judgment, wished to send out through the system statements

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which they had made on subjects of concern to the system they should have that privilege.

Mr. Miller asked whether he meant that such statements should be circularized by the Board and Mr. O'Connor answered that that was his view. Mr. Miller then raised the question whether the Board would be well advised in the interest of the good repute of the Federal reserve system and of the Board particularly to distribute every statement that a Board member might desire to make under the imprimatur of the Board. He felt that any Board member could make an individual distribution of any statement that he made in any way that he thought suitable but that a different question was presented when it was proposed that the Board make the distribution.

Mr. Szymczak stated that, while he had originally agreed with the position taken by Mr. Miller, since then he had made two speeches, one of which was on industrial loans at Decatur, Illinois, before the convention of the Illinois Bankers' Association, and the other before the New York State Bankers' Association at Lake George (Bolton Landing), New York, on the banking bill of 1935, that he had received several hundred requests for copies of these speeches, and that they had been mimeographed at the expense of the Board and sent out under frank. He felt that he could not afford to pay this expense personally and that he should not be expected to do so, but also felt that, having made the speeches, he had the duty of making their contents available to all who might be interested. He thought that there was no difference in principle

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between the course he had followed and that proposed by Governor Eccles. In his judgment, therefore, there was no objection to every Board member having the same privilege, and he believed that whatever privilege was accorded the Governor in this respect should also be accorded to other Board members, with the understanding that where controversial matters were involved they should first be considered and acted upon by the Board.

Mr. Miller said that he recognized a distinction between supplying copies of speeches upon request and a distribution thereof to all member banks initiated in Washington. Mr. Hamlin thought that it would be desirable if the testimony of each Board member before the Senate sub-committee of the Banking and Currency Committee were forwarded to all member banks in order to show the difference of thought and opinion among the Board members.

After further discussion, Mr. O'Connor moved that the Governor be authorized to have the speeches referred to above printed and mailed to all member banks as official business of, and at the expense of, the Federal Reserve Board.

The motion was carried, Mr. Miller voting "no".

The Board then acted upon the following matters:

Letter dated June 13, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated June 13 from Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, both advising that, at meetings of the boards of directors on that date, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

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Memorandum dated June 8, 1935, from Mr. Wyatt, General Counsel, submitting the resignation of Miss Marcella McKenna as a stenographer in the legal division, to take effect at the close of business on July 2, 1935, and recommending that the resignation be accepted. The recommendation was approved by three members of the Board on June 13, 1935.

Approved.

Memorandum dated June 13, 1935, from Mr. Morrill, recommending that Mr. R. C. Twomey, Supply Clerk in the Washington Building, who has been assigned to supervise the mail and mimeograph work and messengers in the Shoreham Building for the past three months, be permanently assigned to that work with no change in his present salary at the rate of \$2,200 per annum. The memorandum also recommended that Mr. Walter Peregory, messenger in the telegraph office, who has filled Mr. Twomey's position during the past three months, be appointed to the position of Supply Clerk and that his salary be increased from \$1,080 to \$1,200 per annum, effective as of June 16, 1935.

Approved.

Memorandum dated June 4, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment for a period of three months of Mr. Alexander Graham Sanderson, Jr., as a clerical assistant in the division, with salary at the rate of \$175 per month, effective as of the date upon which he enters upon the performance of his duties. The recommendation was approved by three members of the Board on June 13, 1935.

Approved.

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Memorandum dated June 4, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the transfer of Mr. Chandler Morse, of the Foreign Information Division of the Federal Reserve Bank of New York, whose services have been loaned to the Board since March 1, 1935, to the Board's Division of Research and Statistics as a junior research assistant, with no change in his present salary at the rate of \$3,700 per annum, effective as of the date upon which he resigns from the Federal Reserve Bank of New York, with the understanding that it will not be necessary for Mr. Morse to take the usual physical examination inasmuch as he is at present a member of the Federal Reserve Bank Retirement System. The recommendation was approved by three members of the Board on June 13, 1935.

Approved.

Letter dated June 13, 1935, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to Mr. Roelse's letter of June 7 to Mr. Goldenweiser requesting approval for the exchange of Mr. Frank Costello, who now holds a position in your department, for an employee from another part of the bank. The Board approves this arrangement provided that the salary attached to the position in question is not increased."

Approved.

Letter dated June 13, 1935, approved by three members of the Board, to the board of directors of the "Commercial Bank & Trust Company", Knoxville, Tennessee, stating that, subject to the conditions prescribed

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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 Atlanta.

Approved.

Letter dated June 13, 1935, approved by three members of the Board, to the board of directors of "The Farmers State Bank of Alto", Alto, 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 dated June 13, 1935, approved by three members of the Board, to the board of directors of the "Fountain State Bank", Fountain, 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 dated June 13, 1935, approved by three members of the Board, to Mr. L. L. Lillibridge, President of the Burke State Bank, Burke, South Dakota, reading as follows:

"It is regretted that pressure of other important matters has prevented an earlier reply to your letter of March 30, 1935, requesting the Board's views with regard to the establishment of branch offices by State member banks in South Dakota under a statute recently enacted in that State authorizing State banks to establish

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"such offices. It is understood that under such statute State banks are authorized under certain circumstances to establish and operate branch offices for the purpose of receiving deposits, issuing drafts and cashiers' checks, making change and paying checks. It appears that such offices may be established and operated only in communities in which there are no banks and that it is the purpose of the statute to provide banking facilities to such communities.

"The Federal Reserve Agent, the Federal Reserve Board's official representative, at the Federal Reserve Bank of Minneapolis has recently called this matter to the attention of the Board for its consideration and for such action as it might be possible for the Board to take in order to eliminate any disadvantage to State member banks in competition with nonmember banks.

"The Board advised the Federal Reserve Agent that State member banks in South Dakota might establish branch offices of the kind contemplated by the recent statute of that State, but that it would be necessary for any such State member banks to comply with the requirements of the Federal law applicable to the establishment of branches by member banks generally in order to establish the offices recently authorized in South Dakota. In this connection, your attention is called to the fact that State member banks may establish branches located outside of the cities in which the parent banks are situated on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks. The requirements applicable to the establishment of branches by national banks are contained in section 5155 of the Revised Statutes of the United States, as amended, and, among other things, it is provided that national banks must have a specified amount of capital in order that they may be authorized to establish branches outside of the cities in which the parent banks are situated. In this connection, section 5155 provides that no national bank shall establish such a branch unless it has a paid in and unimpaired capital stock of not less than \$500,000, except that in States with a population of 1,000,000 and which have no cities located therein with a population exceeding 100,000, the capital shall not be less than \$250,000 and except that in States with a population of less than 500,000 and which have no cities located therein with a population exceeding 50,000, the capital shall not be less than \$100,000. Section 5155 further provides that the aggregate capital for every national bank and its branches shall not be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in the various places where such bank and its branches are situated.

"It is understood that the State of South Dakota has a population of more than 500,000 but less than 1,000,000 and that there is no city located therein having a population exceeding 100,000

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"inhabitants. Accordingly, a State member bank in South Dakota must have a capital of at least \$250,000 in order to establish branch offices outside of the city in which it is located.

"However, it is understood that your bank has a capital stock amounting to only \$25,000 and, under the law, it would be necessary for it to increase its capital by an additional \$225,000 in order to be eligible to establish branch offices of the kind authorized by the recent statute of the State of South Dakota. It is understood that such statute of South Dakota does not prescribe any specific amount of capital which a State bank must have in order to establish such branches and to that extent nonmember banks have a competitive advantage over State member banks. In the circumstances, the Board has given careful consideration to whether it would not be possible to obtain an amendment to the Federal laws which would permit the establishment by State member banks in South Dakota of branch offices of the kind contemplated by the recent statute of that State for the purpose of affording banking facilities in communities which are without such facilities without regard to the capital requirements of section 5155 of the Revised Statutes, but the Board does not feel that it is practicable at this time to obtain such amendments.

"It may be stated that the Board has received an inquiry from Honorable W. J. Bulow in connection with the letter which you addressed to him under date of March 30, 1935, requesting a statement of the Board's views in the matter, and the Board is advising Senator Bulow of its views."

Approved, together with a letter to Honorable
W. J. Bulow, United States Senate, reading as follows:

"It is regretted that pressure of other important matters has prevented an earlier reply to your letter of April 5, 1935, inclosing a letter you have received from Mr. L. L. Lillibridge, President of the Burke State Bank, Burke, South Dakota, with regard to the establishment of branches by member banks of the Federal Reserve System under the provisions of a recent statute of the State of South Dakota authorizing the establishment of branch offices by State banks for limited purposes. You have requested an expression of the attitude of the Board regarding amendments to the Federal laws which would permit member banks to establish such branch offices on the same basis as such offices may be established by nonmember State banks. Mr. Lillibridge has also addressed a letter to the Board with regard to this matter and there is inclosed for your information a copy of the Board's reply in which its views are set out in detail.

"You will observe from the inclosed copy of the Board's letter

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"to Mr. Lillibridge that, under the provisions of section 9 of the Federal Reserve Act and section 5155 of the Revised Statutes of the United States, State member banks and national banks may not establish in South Dakota branch offices of the kind recently authorized by the statute of that State unless the capital of such banks amounts to at least \$250,000, while the State law permits nonmember banks to establish such branch offices without requiring any specific amount of capital. In these circumstances, it is apparent that the nonmember banks have a competitive advantage over national banks and State member banks. It also should be noted that the statute of South Dakota contemplates the establishment of the branch offices for the limited purposes of receiving deposits, issuing drafts and cashiers' checks, making change and paying checks, and that such offices may be established and operated only in communities which are without other banking facilities.

"However, in view of the controversial nature of branch banking questions, the Board has not felt that it would be practicable to obtain the necessary amendments at this session of Congress which would permit member banks in South Dakota to establish branch offices for the limited purposes contemplated by the recent statute of that State without regard to the capital requirements usually applicable to the establishment of branch offices by member banks outside of the city in which the parent bank is located.

"In this connection, your attention is called to the fact that section 305 of the Banking Act of 1935 (H. R. 7617) as it passed the House of Representatives, contains an amendment which would permit member banks under certain circumstances to establish branch offices located outside of the city in which the parent bank is situated without regard to the capital requirements usually applicable to the establishment of such branches by member banks. You will note that such amendment strictly limits the right to establish such offices to 'seasonal' offices located in 'resort' communities in the county of the head office of the parent bank where no bank is located and doing business, and requires the termination of such a branch office upon the opening of a bank in the community. This amendment so strictly limits the right to establish such offices that it would not seem to be of any substantial value to member banks located in the State of South Dakota in establishing branches for the limited purposes contemplated by the recent statute of that State.

"The letter which Mr. Lillibridge addressed to you is returned herewith."

Letter dated June 13, 1935, approved by three members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

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"Reference is made to your letter of May 17, 1935, inclosing an application of the 'Fidelity-Philadelphia Trust Company', Philadelphia, Pennsylvania, for permission, as required under Section 24A of the Federal Reserve Act, to increase its investment in banking premises, through advances of \$1,000,000 to its affiliate, Fidelity Building Corporation, which have been made subsequent to June 16, 1933, and for permission to make additional advances to the building corporation in an amount not exceeding \$400,000.

"The Board has reviewed the information submitted, and, in view of the circumstances and your recommendation, approves the advances of \$1,000,000 which the Fidelity-Philadelphia Trust Company has made to its affiliate, Fidelity Building Corporation, and also approves the application of the trust company for permission to make additional advances to the building corporation in an amount not exceeding \$400,000, provided such advances will be made only to the extent that the building corporation requires such assistance on account of current operations and to make amortization payments on the first mortgage, and provided, further, such advances are within the limitations prescribed by the laws of the State of Pennsylvania. Please advise the trust company accordingly."

Approved.

Letter dated June 13, 1935, approved by three 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 Mr. Sonne's letter of March 25, 1935, and your letter of April 25, 1935, and the stated inclosures, relating to the elimination by First National Bank of Salt Lake City of depreciation in securities by means of valuation reserves, in connection with the issuance of a limited voting permit to its holding company affiliate, First Security Corporation of Ogden, in January 1935.

"From the Report of Condition and the Report of Earnings and Dividends of First National Bank of Salt Lake City, as at the close of business December 31, 1934, it appears that reserves were set up by the bank as follows:

Reserve for premium on Treasury bonds	\$47,379.75
Reserve for stock of banks and banking corporations	25,000.00
Reserves for other bonds, stocks and securities	<u>15,816.60</u>
	\$88,196.35

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"which amounts were deducted from the corresponding asset items in the report of condition.

"Whatever balances were in these various reserve accounts as at August 2, 1934, and January 28, 1935, the dates of the latest reports of examination, were apparently included by the national examiners in 'Reserves for Contingencies, etc.' The report of examination as at August 2, 1934, showed net appreciation in the bank's entire securities account of \$49,997.38, as compared with a total net appreciation of \$216,976.52 as at January 28, 1935. Had the examiner applied the amounts of the above mentioned valuation reserves, the total net appreciation would have been increased accordingly.

"From the copies of correspondence between your office and First Security Corporation of Ogden it appears that the holding company affiliate was fully advised that as a condition precedent to the issuance of the limited voting permit by the Board, it would be necessary that its subsidiary banks, if they had not already done so, 'charge off or otherwise eliminate -

- (a) All losses in loans and discounts
- (b) All depreciation in stocks and defaulted securities
- (c) All depreciation in securities not in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, and
- (d) All other losses;

all as shown by the latest available reports of examination by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above, may be based upon satisfactory current appraisals of marketable securities,' and that 'the charge-off or elimination of estimated losses and depreciation in assets required in (a), (b), (c), and (d) above, may be effected properly through the establishment and maintenance of valuation reserves, provided that in all reports and published statements of such subsidiary banks, such reserves be deducted from the respective assets against which allocated,' and that 'In determining depreciation, allowance should be made for net appreciation, if any, in upper grades.'

"There appears to be nothing in the reports and correspondence to indicate that the bank had net depreciation in securities of \$88,196.35 on December 31, 1934, 'as shown by the latest available reports of examination by the appropriate supervisory authorities * * * (or) * * * based upon satisfactory current appraisals of marketable securities.' On the other hand, it appears that the bank had set up the above mentioned reserves on its own accord.

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"Therefore, it does not appear that it was necessary for First National Bank of Salt Lake City to eliminate the \$88,196.35, or any amount, of depreciation in securities either by actual charge-off or deduction of valuation reserves from the securities to which allocated in order to comply with the Board's requirement as a condition to the issuance of a voting permit. It will be appreciated if you will advise Mr. C. I. Canfield, Assistant Secretary-Treasurer of First Security Corporation, accordingly.

"For your confidential information, it is understood that the use of valuation reserves as a means of eliminating losses and depreciation, although not objected to in some cases, has not been regarded as satisfactory, as a general rule, by the office of the Comptroller of the Currency, and that no objections are raised to the actual charge-offs of reasonable amounts estimated by officers of a national bank as losses and depreciation, even though not so classified by the examiners, and that the Comptroller's office has from time to time forwarded to all national banks regulations or instructions covering, among other things, the exact manner in which losses and depreciation should be eliminated and certain types of reserves should be handled.

"The Board has stated in its letter of November 26, 1934 (X-9032-b), that it considers that the elimination of estimated losses and depreciation in assets may be effected properly through the establishment and maintenance of valuation reserves, provided that in all reports and published statements of condition such reserves be deducted from the assets against which allocated. In authorizing the issuance of voting permits the Board has provided that the specified items of losses and depreciation may be either charged off or otherwise eliminated.

"In this connection, the Board desires to emphasize the fact that, although it favors, as a general rule, the elimination of determined losses and depreciation by actual charge-off, it has not attempted in any case to prescribe the exact manner in which national banks shall make any eliminations, but has merely provided in all cases an optional manner of making any actually required eliminations, with the understanding and expectation that holding company affiliates, in complying with conditions precedent to the issuance of voting permits, will cause their subsidiary national banks to make the eliminations which are actually required with respect to losses and depreciation either by actual charge-off or by the use of valuation reserves, whichever manner is in accordance with the effective regulations and instructions issued by the Comptroller of the Currency."

Approved.

Letter dated June 11, 1935, approved by four members of the

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

"This refers to your letter of April 24, 1935, relating to the proposed deposit of trust funds by the trust department of Southern Arizona Bank and Trust Company, at Tucson, Arizona, in a special account with the Federal Reserve Bank of Dallas.

"The Board has previously considered a similar inquiry from another Federal Reserve bank. In that instance the bank indicated that it seriously doubted its legal authority to accept such deposits and expressed the opinion that, from a practical standpoint, it was undesirable for it to do so. In these circumstances, the Board expressed the opinion that since it was doubtful whether the receipt of uninvested trust funds from member banks by Federal Reserve banks falls within the purposes of the Federal Reserve Act, and since such deposit could not be counted as a part of the depositing member bank's reserve balance, and in view of the legal responsibilities which might be assumed by a Federal Reserve bank in accepting such deposits, it would not be advisable for Federal Reserve banks to receive deposits of uninvested trust funds from member banks. Subsequently, the Governor of another Federal Reserve bank discussed this question informally with the Board's counsel after having advised a member bank that he doubted whether the Federal Reserve banks have the authority to receive deposits of such funds.

"In a recent conference with a representative of Southern Arizona Bank and Trust Company, the Board's staff was advised that while the trust company would prefer to deposit uninvested trust funds with the Federal Reserve bank the amount of such trust funds held by the trust company had been reduced to a comparatively small amount and that it could deposit such funds in other banks and be fully protected by Federal deposit insurance. It was also indicated that it was improbable that the amount of such funds would be materially increased in the future.

"In the circumstances, the Board feels that it should take no further action without obtaining the views of the other Federal Reserve banks and that it is undesirable for it to reconsider, at this time, the opinion which it has previously expressed. If after further consideration of the practical and legal aspects of the matter, you still believe the Federal Reserve Bank of Dallas should accept the proposed account, the Board will be glad to communicate with the other Federal Reserve banks and, after obtaining their views, to give further consideration to the matter, or you will, perhaps, desire that it be discussed as a system matter at the next Governors' or Federal Reserve Agents' conference."

Approved.

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Letter dated June 13, 1935, approved by three members of the Board, to "The Citizens National Bank of Hampton", Hampton, Virginia, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Virginia, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Telegram dated June 12, 1935, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit to the "Arizona Realty & Holding Company", Phoenix, Arizona, entitling such organization to vote the stock which it owns or controls in "The Consolidated National Bank of Tucson", Tucson, Arizona, for the purpose of acting at any time prior to October 1, 1935, upon a proposal or proposals to place The Consolidated National Bank of Tucson in voluntary liquidation, and to take such further action as may be necessary to effect such liquidation, including the ratification of any action previously taken in connection with the liquidation of such bank, provided that all action taken shall be in accordance with a plan satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of

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Dallas and the Federal Reserve Agent at the Federal Reserve Bank of San Francisco and approved by the Comptroller of the Currency.

Approved.

Letter dated June 13, 1935, approved by three members of the Board, to Mr. O. O. Cryder, Cashier of The First National Bank, Lebanon, Illinois, reading as follows:

"This refers to your letter dated June 1, 1935 regarding the classification of certain accounts as savings deposits.

"The names of the depositors and a description of each account are as follows:

1. Township Treasurer of Schools - funds derived from taxation and used for running expenses of schools, but not an investment fund.
2. City of Lebanon - funds derived from collections on account of Lebanon Water District and used to pay bonds as they mature.
3. City of Lebanon - funds derived from collections on account of Lebanon Sewer District and used to pay bonds as they mature.
4. City of Lebanon - funds derived from the water system and used to pay current bills and expenses incident to the operation of the water plant.
5. Building & Loan Association - proposed deposit of accumulated funds for which there is no demand at this time.

"You state that you believe that none of the above accounts are 'savings deposits' within the definition of that term in section V of the Board's Regulation Q because the deposits do not consist of 'funds accumulated for bona fide thrift purposes'.

"It is understood that the Chief National Bank Examiner for your district has expressed the opinion that the first four accounts do not constitute savings deposits because they do not consist of funds accumulated for bona fide thrift purposes. It is also understood that he has not had occasion to express an opinion regarding the fifth account.

"The Federal Reserve Board believes that the question whether deposits consist of funds accumulated for bona fide thrift purposes so as to constitute savings deposits within the meaning of the Board's Regulation Q is one upon which no general rule can be prescribed and that each case must necessarily be determined upon the basis of its particular facts. The Board also feels that questions

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"as to whether deposits may be regarded as consisting of funds accumulated for bona fide thrift purposes, should, in most cases, be determined by the member banks in the light of the provisions of the law and the Board's regulation. However, on the basis of the facts stated above, the Board finds no reason to differ from the opinion expressed in your letter that the five accounts described therein do not consist of funds accumulated for bona fide thrift purposes and therefore may not properly be classified as savings deposits.

"If you have any further question regarding this matter, or any similar matter, it will be appreciated if you will submit your inquiry to the Federal Reserve Agent at the Federal Reserve Bank of St. Louis."

Approved.

Telegram dated June 13, 1935, approved by three members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"On June 11th both Houses of Congress passed the following joint resolution:

"Resolved, etc., That subsection (g) of section 22 of the Federal Reserve Act is hereby amended by striking out "Provided, That loans heretofore made to any such officer may be renewed or extended not more than two years from the date this paragraph takes effect, if in accord with sound banking practice" and inserting in lieu thereof: "Provided, That loans made to any such officer prior to June 16, 1933, may be renewed or extended for periods expiring not more than five years from such date where the board of directors of the member bank shall have satisfied themselves that such extension or renewal is in the best interest of the bank and that the officer indebted has made reasonable effort to reduce his obligation, these findings to be evidenced by resolution of the board of directors spread upon the minute book of the bank."

"In view of the affirmative action required by boards of directors in connection with renewals or extensions of loans to executive officers under provisions of above joint resolution it is suggested that you promptly advise State member banks in your district of provisions of such resolution and give such other publicity regarding matter as you deem necessary. Any advice to

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"member banks or any publicity regarding this resolution should make it clear that it has not yet been approved by President and you will be advised when it is so approved."

Approved.

Memorandum dated June 11, 1935, from Mr. Smead, Chief, Division of Bank Operations, stating that in accordance with a program adopted by a committee on the further revision of the Functional Expense Reports, which met in Cleveland on June 10, 1935, it is planned to have three representatives of the Federal reserve banks come to Washington on June 12 to prepare a report to the Governors' Conference Committee on Reimbursable Fiscal Agency Expenses which will include detailed instructions as to how indirect expenses chargeable to fiscal agency operations are to be determined, and that it will be necessary to assign some office space to such men. The memorandum recommended that, inasmuch as it now appears that the Division of Bank Operations will, in the near future, need some additional space for its own use, a contract be entered into with the Shoreham Building for the rental, beginning June 12, 1935, of room 335, which has approximately 200 sq. ft. of floor space, at an annual cost of \$500, for a period of two years, with the understanding that the rental contract may be canceled at any time by the Board's giving three months notice.

Approved.

Letter to Mr. Walter H. Peck, Special Representative, The Volunteer State Life Insurance Company, Dallas, Texas, reading as follows:

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"Reference is made to your letter of June 4 in which you state that Deputy Governor Coleman of the Federal Reserve Bank of Dallas has referred you to the Board for complete information regarding the Federal Reserve Bank Retirement System so far as any information is public.

"The Board has not published the details regarding the Federal Reserve Retirement System, which was established as of March 1, 1934, but for your personal information there is inclosed a copy of the Rules and Regulations of the Retirement System."

Approved.

Letter dated June 13, 1935, approved by three members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of June 3 with regard to the item 'State of Pennsylvania, Liquor Assignment of Accounts - \$125,771.10' appearing against item 4-a of Schedule G of the condition report of The Toledo Trust Company, Toledo, Ohio, as of March 4, 1935.

"In view of the fact that available information indicates that the assigned accounts of the Pennsylvania Liquor Board are general obligations of the Commonwealth of Pennsylvania, investments therein by State bank members should, as you suggest, be reported as obligations of 'States, counties, districts, political subdivisions, and municipalities' against item 1(e) of Schedule G in condition reports Form 105."

Approved.

Letter to Mr. Morton Kominers, Brooklyn, New York, reading as follows:

"Receipt is acknowledged of your letter of June 9, 1935, in regard to the destruction of cancelled postage stamps by the Federal Reserve Bank of New York, in which you inquire whether an arrangement, under which you would give a bond to insure that cancelled stamps purchased by you from the Federal reserve bank would be sold only to collectors, would be satisfactory to the Federal Reserve Board.

"For a number of years prior to 1929 the Federal reserve banks salvaged and sold used postage stamps to stamp collectors and others

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"on representations that they were to be used for philatelic purposes. However, in July, 1929, the Postmaster General advised the Federal Reserve Board that large quantities of such stamps had been washed or otherwise treated and resold to various persons and firms for postage purposes. He also pointed out that stamps used by Federal reserve banks, because of their high denominations, are of particular interest to persons who might use them for improper purposes.

"The Postmaster General suggested that the small amounts received from the sale of used stamps did not appear to justify the expenditure for the labor involved in collecting them and requested that, in view of the extensive misuse of them in the past, the matter be drawn to the attention of all Federal reserve banks and branches thereof with the view to having the sale of salvaged used stamps discontinued and the stamps destroyed. The Federal Reserve Board and the Federal reserve banks, upon giving the matter careful consideration, concurred in the views expressed by the Postmaster General, and consequently the practice of disposing of cancelled stamps to collectors and others was discontinued.

"In the circumstances, the Federal Reserve Board would not look with favor upon any arrangement which would involve a departure from the policy now being followed by the Federal reserve banks and their branches with respect to this matter."

Approved.

Letter 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 issued to Mr. A. W. McLean, Lumberton, North Carolina, covering his services as director and officer of The National Bank of Lumberton, Lumberton, and The Atlantic Joint Stock Land Bank, Raleigh, both of North Carolina, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved; also a copy for your files.

"Mr. McLean's application included his services as director and officer of The Robeson County Loan Company, East Lumberton, North Carolina, but, in view of the information and the recommendation contained in Mr. Fry's letter of May 23, 1935, the Board has given consideration only to the applicant's services to the two banks involved. Please inform Mr. McLean of the reason for the exclusion of The Robeson County Loan Company and, when the permit is forwarded to him and the copies to the banks involved, please advise them that the permit has been issued so as to expire at the close of January 14, 1936, as there is now pending before the

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"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. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of May 29, 1935, in reply to the Board's letter of May 28, 1935, relative to the Clayton Act permit granted to Mr. Sifford Pearre to serve at the same time as officer of The Equitable Trust Company of Baltimore and as director and officer of The Maryland-Virginia Joint Stock Land Bank, both of Baltimore, Maryland.

"In the Board's letter of May 28, 1935, transmitting the original and copies of Mr. Pearre's permit your attention was called to the possible applicability of the provisions of Section 32 of the Banking Act of 1933 to Mr. Pearre's relationships with the banks involved and Insuranshares Certificates, Inc., of Baltimore, Maryland; and you were requested to withhold delivery of the permit and copies until you had satisfied yourself that the provisions of Section 32 were not applicable to Mr. Pearre's services. It is noted from your letter that the question of the applicability of Section 32 to Mr. Pearre's relationships does not appear to be pertinent since neither of the banks involved in the application is a member of the Federal Reserve System; but that, if the Board so desires, you will make further inquiry as to the character of business transacted by Insuranshares Certificates, Inc., in an endeavor to determine whether or not it is compatible with the public interest for Mr. Pearre to serve the two nonmember banks while at the same time serving as a director and officer of an investment trust.

"The possible applicability of the provisions of Section 32 of the Banking Act of 1933 to Mr. Pearre's relationships was the primary consideration involved in the Board's letter of May 28, 1935, to you; and with respect to this matter the Board's staff failed to take cognizance of the fact that neither of the banks involved in his application was a member of the Federal Reserve System. Please release the permit to Mr. Pearre and copies thereof to the banks involved and advise them as to the reason for the issuance of the permit so as to expire at the close of January 14, 1936, in accordance with the last paragraph of the Board's letter of May 28, 1935."

Approved.

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Letter dated June 13, 1935, approved by three 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. Wm. G. Wood, Sperryville, Virginia, to serve at the same time as director of The Culpeper National Bank, Culpeper, Virginia, and as director and officer of The Rappahannock National Bank of Washington, Washington, Virginia, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved and a copy for your files.

"In the consideration of this application it was noted from the report of examination of The Rappahannock National Bank of Washington, as of April 23, 1935, that Mr. Wood apparently had violated Section 22(g) of the Federal Reserve Act by reason of his failure to report his loans at other banks, which alleged violation was reported to the United States District Attorney, Roanoke, Virginia. However, the Board is without sufficient information to determine whether the apparent violation was of a kind which would not have been reported to the United States District Attorney under the procedure described in the Board's confidential letter of February 13, 1935, (X-9124), regarding apparent violations involving State member banks, if Mr. Wood should take steps to correct the apparent violation within a reasonable time. Accordingly, it will be appreciated if you will make such investigation as you may think necessary, and if you find the circumstances to be such that the apparent violation would not have been reported to the United States District Attorney pursuant to the Board's confidential letter of February 13, 1935, (X-9124), please release the permit to the applicant and forward copies thereof to the banks involved, advising the Board of the disposition which is made of the matter. However, if you find that the circumstances were such that it would have been reported to the United States District Attorney pursuant to the Board's confidential letter, please hold the permit and advise the Board fully respecting the matter.

"In the event the permit is released to the applicant and copies thereof to the banks involved, please advise them that the permit has 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.

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

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"There are inclosed the original and copies of a Clayton Act permit granted to Mr. H. L. Williamson, Nashville, Tennessee, covering his service as director and officer of Commerce Union Bank and as officer of Broadway National Bank of Nashville, both of Nashville, Tennessee, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved; also a copy for your files.

"In the consideration of this application it was noted that Mr. Williamson had not been elected a director of Commerce Union Bank on April 24, 1935, the date of his application, although it was anticipated that he would be elected a director of this institution. In order that the Board's files may be complete, please request Mr. Williamson to advise you when he has been elected and has duly qualified as a director of Commerce Union Bank so that you may, in turn, advise the Board.

"When transmitting the permit to Mr. Williamson and copies to the banks involved, please advise them that the permit has 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.

Letters dated June 13, 1935, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing the following amended Clayton Act permits for transmission to the applicants:

Mr. Raymond B. Peer, to serve at the same time as an officer of The Morristown Trust Company, Morristown, New Jersey, and as a director of the First National Bank in Rockaway, Rockaway, New Jersey, for the period ending January 14, 1936.

Mr. W. H. Walters, to serve at the same time as a director and officer of The Phillipsburg National Bank and Trust Company, Phillipsburg, New Jersey, and as a director of The First National Bank of Belvidere, Belvidere, New Jersey, for the period ending January 14, 1936.

Approved.

Letters dated June 13, 1935, approved by three members of the Board, to applicants for Clayton Act permits advising respectively of

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the issuance of permits by the Board as follows:

Mr. Charles W. Rovegno, to serve at the same time as a director of the Seaboard Trust Company, Hoboken, New Jersey, and as a director of the Hudson County National Bank, Jersey City, New Jersey, for the period ending January 14, 1936.

Mr. D. O. Kibler, to serve at the same time as a director and officer of The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio, and as a director of The Brown County National Bank of Mt. Orab, Mt. Orab, Ohio, for the period ending January 14, 1936.

Mr. Heber W. Curtis, to serve at the same time as a director of The First National Bank of Petoskey, Petoskey, Michigan, and as a director and officer of the Old Kent Bank, Grand Rapids, Michigan, for the period ending January 14, 1936.

Mr. H. Y. Lemon, to serve at the same time as an officer of the National Bank of Detroit, Detroit, Michigan, and as a director of the Missouri Valley Trust Company, St. Joseph, Missouri, for the period ending January 14, 1936.

Mr. B. E. Young, to serve at the same time as an officer of the National Bank of Detroit, Detroit, Michigan, and as a director of the Industrial Morris Plan Bank, Detroit, Michigan, for the period ending January 14, 1936.

Approved.

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

Applications for ADDITIONAL Stock:

	<u>Shares</u>	
<u>District No. 2</u>		
Tompkins County Trust Company, Ithaca, New York	186	186
<u>District No. 11</u>		
The First National Bank of Henderson, Henderson, Texas	30	
The First National Bank of Weslaco, Weslaco, Texas	1	
State Bank & Trust Company, Beeville, Texas	3	34
	<u>Total</u>	<u>220</u>

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2</u>		
The Peoples National Bank of New Brunswick, New Brunswick, New Jersey	30	
The First National Bank of South River, South River, New Jersey	6	
The Mahopac National Bank, Mahopac, New York	<u>32</u>	68
<u>District No. 6</u>		
The Talladega National Bank, Talladega, Alabama	60	60
<u>District No. 7</u>		
The First National Bank of Dolton, Dolton, Illinois	60	60
<u>District No. 11</u>		
The Perry National Bank of Hamilton, Hamilton, Texas	30	
The First National Bank of Memphis, Memphis, Texas	<u>15</u>	45
<u>District No. 12</u>		
The First National Bank of Okanogan, Okanogan, Washington	24	
The First National Bank of Paul, Paul, Idaho	<u>18</u>	<u>42</u>
	<u>Total</u>	<u>275</u>

Approved.

Thereupon the meeting adjourned.

Peter H. Haines
Secretary.

Approved:

W. S. Steeles
Governor.