

A meeting of the Federal Reserve Board was held in Washington on Friday, June 21, 1935, at 11:30 a. m.

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

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

The Board acted upon the following matters:

Letter to the board of directors of "The Kingston State Bank", Kingston, 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.

Memorandum dated June 18, 1935, from Mr. Foulk, Fiscal Agent, recommending that an assessment of two hundred eighteen thousandths of one per cent (.00218) of the estimated total paid-in capital and surplus (Section 7 and Section 13b) of the Federal reserve banks as of the close of business on June 30, 1935, be levied by the Board to cover the general expenses of the Board for the six months' period beginning July 1, 1935, and that the banks be instructed to pay in this assessment in two equal installments on July 1 and September 3, 1935.

The following resolution levying an assessment in accordance with the Fiscal Agent's recommendation was adopted:

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"WHEREAS, Section 10 of the Federal Reserve Act, as amended, contains the following provisions:

"The Federal Reserve Board shall have power to levy semi-annually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, * * * * *

"The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, * * * and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys."

"WHEREAS, it appears from a consideration of the estimated expenses of the Federal Reserve Board for the six months' period beginning July 1, 1935, that it is necessary that a fund equal to two hundred eighteen thousandths of one per cent (.00218) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks be created for such purposes, exclusive of the cost of engraving and printing of Federal reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD,

That:

"(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to two hundred eighteen thousandths of one per cent (.00218) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business June 30, 1935.

"(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on July 1, 1935 and September 3, 1935.

"(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Gold Settlement Fund to the Federal Reserve Bank of Richmond for credit to the special fund

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"account of the Federal Reserve Board on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Federal Reserve Board special fund account on the dates as above provided."

Letter to Governor Calkins, Chairman of the Governors' Conference, reading as follows:

"Under date of June 7, 1935, the Federal Reserve Board addressed a letter to you with regard to the provisions of section 239 of the Criminal Code of the United States which relate to the collection of drafts covering the purchase price of intoxicating liquor in interstate shipments. The letter stated that the subject appeared to be one which might well be referred to the Standing Committee on Collections of the Governors' Conference for consideration and report to the Conference as to whether a uniform practice with regard to the matter is desirable and, if so, what such practice should be. At the time its letter of June 7th was transmitted to you the Board had not been advised of the action of the Governors' Conference held on May 27-28, 1935, with regard to this subject. Copies of the minutes of the Governors' Conference have now been received, from which it appears that the subject was considered and that it was voted to be the sense of the Conference that until the provisions of section 239 of the Criminal Code are repealed or appropriately amended the Federal Reserve banks should decline to handle drafts with bills of lading attached covering interstate liquor shipments whenever the bill of lading attached is to be surrendered upon payment or acceptance of the draft. In view of the action of the Governors' Conference, and upon the assumption that each Federal Reserve bank will conform to the action of the Conference on this subject, it would appear to be unnecessary to have consideration given to the matter by the Standing Committee on Collections as suggested in the Board's letter of June 7th.

"In connection with this matter, it is appropriate to point out that the bill, S. 11, which was introduced in Congress to repeal section 239 of the Criminal Code, was amended in committee so that the section would not be repealed but would be inapplicable to shipments of liquor into any State, Territory, or District of the United States which prohibits the manufacture or sale of such liquor. In such form the bill was passed by the Senate on May 28, 1935, and has been referred to the Committee on the Judiciary in the House of Representatives."

Approved.

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

"Receipt is acknowledged of your letter of June 12, 1935, relating to the applications of The First National Bank of St. Joseph and The First Trust Company, both of St. Joseph, Missouri, for voting permits authorizing them to vote the stock which they own or control of First St. Joseph Stock Yards Bank, South St. Joseph, Missouri and submitting information with reference to the possible termination of the holding company affiliate relationships.

"The Board understands that First St. Joseph Stock Yards Bank has 1,000 shares of common stock and 1,500 shares of preferred stock outstanding; that The First National Bank of St. Joseph and The First Trust Company own or control all of the common stock with the possible exception of 35 shares held by directors as qualifying shares; that the Reconstruction Finance Corporation owns all of the preferred stock; that at the preceding election of directors of First St. Joseph Stock Yards Bank 980 shares of common stock and all of the shares of preferred stock were voted; that the proxy voting the stock owned by the Reconstruction Finance Corporation was a stockholder of The First National Bank of St. Joseph but had no other connection with that bank or The First Trust Company; and that the Reconstruction Finance Corporation gave its proxy definite instructions concerning the manner in which the stock should be voted on certain matters and as to all others, including the election of directors, it instructed its proxy as follows:

'Please vote with a majority of the stockholders on all matters that may come before this meeting unless some unusual action is proposed and then you are instructed to vote for an adjournment of the meeting until such time as you may receive proper advice from this office.'

"On the basis of these facts the Board is of the opinion that The First National Bank of St. Joseph and The First Trust Company are not now holding company affiliates of First St. Joseph Stock Yards Bank and accordingly it is assumed that no further consideration need be given to the applications for voting permits. In the absence of any further facts which you believe should be considered by the Board, you may advise The First National Bank of St. Joseph and The First Trust Company in accordance with this letter and you may also advise First St. Joseph Stock Yards Bank that compliance with its condition of membership numbered 19 is unnecessary. It should be noted that if the Reconstruction Finance Corporation issues a proxy

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"for a future meeting to The First National Bank of St. Joseph or The First Trust Company or a person under the control of either institution, a further question may arise concerning the existence of holding company affiliate relationships at the time of such meeting and it is suggested that you bring this to the attention of the interested institutions."

Approved.

Thereupon the meeting adjourned.

Clarence Morice
Secretary.

Approved:

W. C. C. C.
Governor.