

A meeting of the Federal Reserve Board was held in Washington on Saturday, June 29, 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 dated June 27, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated June 28, 1935, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 25, 1935, from Mr. Morrill, Secretary, stating that on May 11, 1935, upon the recommendation of Mr. Szymczak, the Board approved the temporary employment, for a period of three months, of Mr. B. P. Adams in connection with industrial loan matters; that no title was provided for Mr. Adams as it was not believed that any necessity therefor would arise as a practical matter in view of the temporary and special character of his work; but that Mr. Adams had been doing some traveling and had advised Mr. Szymczak that his

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inability to supply a title has created some inconvenience and difficulty for him in such matters as procuring the acceptance of transportation requests at railroad stations. The memorandum also stated that Mr. Smead, Chief of the Division of Bank Operations, had suggested that the designation "Technical Assistant" might be given to Mr. Adams; that this was agreeable to Mr. Adams and was approved by Mr. Szymczak; and that it was recommended that the Board approve this designation for Mr. Adams during the period of his temporary employment. The recommendation was approved by three members of the Board on June 28, 1935.

Approved.

Memorandum dated June 27, 1935, from Mr. Morrill, Secretary, stating that, for the reasons set forth in the memorandum, the Governor recommends that the Board approve, effective July 1, 1935, an increase to \$1,800 per annum in the salary rate of Miss Madeleine E. Benton, who is employed as a stenographer in the Governor's office. The recommendation was approved by four members of the Board on June 28, 1935.

Approved.

Memorandum dated June 28, 1935, from Mr. Morrill, Secretary, recommending the appointment of Mr. Joseph S. Crowder as a messenger in the telegraph office for a period of three months, with salary at the rate of \$70 a month, effective as of the date upon which he enters upon the performance of his duties.

Approved.

Memorandum dated June 27, 1935, from Mr. Morrill, Secretary,

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submitting a memorandum dated June 25 from Mr. O'Connor, Comptroller of the Currency and a copy of a memorandum from Dr. Edward C. Ernst, Medical Officer in Charge of the Treasury Building, in regard to a nurse located in the Treasury Building who has been serving employees in both the Treasury Building and the Washington Building; stating that Mr. O'Connor had told Dr. Ernst that he would put Miss Coombs on his payroll and pay half her salary at the rate of \$1,620 per annum if the Federal Reserve Board believed it would be justified in paying the other half and that Mr. O'Connor had requested that the matter be drawn to the attention of the members of the Board and that he be advised of their reaction. The memorandum pointed out that at the present time the total number of employees of the Comptroller's office in the Washington and Treasury Buildings combined is 530; that the total number of employees of the Board in the Washington and Shoreham Buildings, together with those in the Federal Reserve Issue and Redemption Division in the Treasury Building, is 303 (including Board members); that the combined total is 833, of which the Board has not quite 37%; that during the last twelve months there were 64 patients served among the Board's employees as compared with 170 patients among the Comptroller's offices; that the number of calls was 380 for the Board's employees and 951 for the Comptroller's office; and that the Board's percentage of both patients and calls was approximately 28%. The memorandum also stated that the higher of these proportions applicable to

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the Board's personnel (the total number of employees who might be served even though not actually patients), would indicate a contribution by the Board of \$50 a month or \$600 per annum, as compared with payment by the Comptroller of the remaining \$85 a month or \$1,020 per annum. Mr. Clayton had noted on the memorandum a recommendation that the Board offer to pay \$600 per annum toward the salary of Miss Coombs, and his recommendation was approved by four members of the Board on June 28, 1935.

Approved.

Letter dated June 28, 1935, approved by four members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of June 7 in regard to a proposed new contributory group life insurance policy.

"The Board will interpose no objection to the proposed group life insurance contract which, it is understood, will not result in any cost to the Federal Reserve bank if dividends are paid as anticipated. The Board feels, however, that the situation should be reviewed and the matter brought to its attention in ample time for further consideration before the expiration of the new contract if it is desired to continue in force the same contract or to substitute a new one."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Poudre Valley National Bank of Fort Collins', Fort Collins, Colorado, from \$150,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale

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"of \$100,000 of preferred stock to local interests and that the released capital shall be used in eliminating a corresponding amount of substandard assets, all as set forth in your memorandum of June 19, 1935."

Approved.

Letter dated June 28, 1935, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"The Federal Reserve Board understands that in some instances member banks acting in fiduciary capacities may have accepted appointments to act under agreements containing unwarranted provisions exempting the banks or their officers, directors or employees from liability on account of their acts in the management and administration of the trusts. For example, it is understood that in some cases such provisions are to the effect that the bank shall be liable only in the event of gross negligence or wilful misconduct.

"The Board would like to obtain such information as is available relating to the question whether it is ordinarily the practice of member banks to act in fiduciary capacities under exemptions from liability which are substantially in excess of those exemptions to which trustees are ordinarily entitled. It is assumed that banks generally use more or less standardized clauses in forms used in connection with their various classes of trust business, and you are requested to have the examiners for the Federal Reserve bank, in connection with the next examinations of State member banks in your district, obtain copies of the standard forms used by various banks in connection with the different classes of trust business administered and information from each bank as to any unusual provisions exempting the bank from liability which it might be the practice to include in particular forms. When the next examinations of the State member banks in your district have been completed, please advise the Board in detail of the information developed by the examiners together with the comments of the examiners and advise the Board of your views as to what action by the Board, if any, would seem to be desirable in the circumstances. The Board, of course, would be glad to receive any information which may be developed with regard to any other provisions of trust agreements under which member banks are operating which appear to be unwarranted and subject to criticism and any suggestions you deem desirable with regard to any such provisions. If,

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"pending the completion of the next examinations of the State member banks in your district, there should be a conference of trust examiners for the Federal Reserve banks, it would seem desirable for such examiners to discuss at that conference any unwarranted exemptions from liability by trust companies which may have come to their attention with a view to developing all information available with regard to existing practices of fiduciaries in restricting their responsibilities as such fiduciaries."

Approved, together with a letter
to Mr. O'Connor, Comptroller of the
Currency, reading as follows:

"There is inclosed herewith a copy of a letter which the Federal Reserve Board has forwarded to the Federal Reserve Agents at all of the Federal Reserve banks. You will observe that it requests that the examiners for the Federal Reserve banks, in connection with the next examinations of State member banks in the various districts, obtain information to what extent forms of agreements under which the various State member banks ordinarily accept appointments in fiduciary capacities contain unwarranted provisions exempting the banks or their officers, directors or employees from liability on account of their acts in the management and administration of trusts.

"As you know, of course, the Federal Reserve Board is authorized, under the provisions of section 11(k) of the Federal Reserve Act, to promulgate such regulations as it may deem necessary to enforce the proper exercise of fiduciary powers by national banks. In the circumstances, it will be appreciated if you will request the chief national bank examiners for the various districts to develop information of the kind contemplated by the inclosed letter at the time of the next examinations of national banks and furnish the Board with any information which may be developed. Upon the basis of the information so developed, the Board would be glad to receive any suggestions which any of the chief national bank examiners may wish to make with regard to what action by the Board, if any, would seem to be desirable in the circumstances and any recommendations which you may wish to make."

Letter dated June 28, 1935, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This is in reply to your letter of June 4, 1935, inclosing

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"a copy of a letter from an anonymous sender indicating that a certain bank, acting as a broker, is offering to sell to banks in your district time certificates of deposit issued by other banks and is representing in connection with such offer that the deposits evidenced by such certificates are insured by the Federal Deposit Insurance Corporation.

"The question whether such deposits are insured by the Federal Deposit Insurance Corporation is one which must be answered by the Federal Deposit Insurance Corporation and it is noted that a copy of your letter to the Board has been sent to that Corporation.

"On the facts set forth in your letter and the inclosed copy of the letter of solicitation, the Board is unable to find that the practice referred to involves a violation of the Board's Regulation Q or of any provision of law with respect to the payment of interest on time deposits. As suggested in your letter it is possible that if the bank which issues the certificates of deposit is fully aware of the circumstances under which the certificates are issued and has actively participated in carrying out the plan, the funds which it receives are in fact not deposits but represent loans to the bank and should be so carried in reports of condition furnished by the bank.

"The Board is of the opinion that it is not desirable for a member bank to engage in soliciting banks with a view to their purchase of time certificates of deposit issued by other banks. In cases where the soliciting bank is a national bank the question whether its activities are legal is within the jurisdiction of the Comptroller of the Currency. In cases where the soliciting bank is a State member bank the question involves, of course, the powers of the bank under the applicable State laws but also involves a possible violation of the standard condition of membership in the Federal Reserve System to the effect that the bank shall not cause or permit any change to be made in the general character of its business or the scope of the corporate powers exercised by it at the time of its admission to membership. In the absence of the facts of a specific case, the Board is unable to advise you that the activities of a State member bank acting as broker in the sale of these certificates of deposit is in violation of this condition, but the suggestion is made for your consideration.

"With respect to the banks which may purchase the time certificates of deposit under the plan referred to, there is inclosed a copy of a letter dated May 27, 1935, from the Comptroller of the Currency to Mr. H. C. Hausman, of the Illinois Bankers' Association stating that in the opinion of the Comptroller national banks have no authority in law to purchase time certificates of deposit in circumstances similar to those outlined in your letter.

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"Assuming that State member banks do possess such power under the applicable State laws, there is still a question whether State member banks are restricted in the exercise of such powers by the provisions of the Federal Reserve Act. This question involves issues which the Board has had under consideration for some time in another connection and which it is hoped may be disposed of by enactment of the proposed Banking Act of 1935.

"The Board is of the opinion that the practice to which you refer is one which should be discouraged and is pleased to know that the matter is receiving your attention."

Approved.

Letter dated June 28, 1935, approved by three members of the Board, to Mr. C. B. Eilenberger, Third Assistant Postmaster General, reading as follows:

"Reference is made to our letter of March 25, 1935, in regard to your letter of March 16 (94507-R) containing certain suggestions with respect to the keeping of a description of currency shipments made by Federal reserve banks and to Mr. North's letter of June 19, on the same subject.

"This subject, at the suggestion of the Federal Reserve Board, was discussed at the Governors' Conference held in Washington on May 27 and 28, 1935, and the Board has been advised that it is the practice of the Federal reserve banks to keep a description of shipments of new currency whenever it is practicable to do so.

"With respect to your suggestion that the banks include some new notes in each currency shipment, if practicable, the Board is advised that in general the banks follow this practice wherever it is feasible to do so. However, in the case of small shipments and when member banks specifically request shipments of circulated currency, the Federal reserve banks do not always find it practicable to include new bills in their shipments."

Approved.

Telegram dated June 27, 1935, approved by three members of the Board, to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Retel June 26, private banks suggest completion any work

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"under way but defer further examinations pending action on proposed legislation."

Approved.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
The First National Bank of Grand Ridge, Grand Ridge, Illinois	2	2
<u>District No. 9.</u>		
The First National Bank of International Falls, International Falls, Minnesota	18	
The First National Bank of Ekalaka, Ekalaka, Montana	<u>1</u>	19
<u>District No. 12.</u>		
First State Bank of La Crosse, La Crosse, Washington	12	
The Anglo California National Bank of San Francisco, San Francisco, California	30	30
Total		<u>51</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
The Woodside National Bank of New York, New York, New York	120	120
<u>District No. 4.</u>		
The Citizens National Bank of Washington, Washington, Pennsylvania	300	300
<u>District No. 10.</u>		
The First National Bank of Wayne, Wayne, Nebraska	<u>21</u>	<u>21</u>
Total		<u>441</u>

Approved.

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Thereupon the meeting adjourned.

Robert M. ...
Secretary.

Approved:

W. C. ...
Governor.