

A meeting of the Federal Reserve Board was held in Washington on Friday, July 12, 1935, at 11:10 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Governor

Governor Eccles referred to the recommendation contained in a memorandum submitted under date of April 22, 1935, by Mr. Smead, Chief of the Division of Bank Operations, and Mr. Goldenweiser, Director of the Division of Research and Statistics, that there be published in the text of the weekly statement of condition of Federal reserve banks an estimate of excess reserves of member banks. Reference was also made to the telegram received from the Federal Reserve Bank of New York under date of May 24, 1935, on this subject, and to the discussion at the meeting of the Executive Committee of the Federal Reserve Board on June 26, 1935, and Governor Eccles stated that he was still of the opinion that the estimate should be included in the weekly statement as recommended by Messrs. Smead and Goldenweiser.

During the ensuing discussion Mr. James stated that he questioned the advisability of the Federal Reserve Board publishing a figure based on an estimate and that it was his feeling that the Board should confine its published statements to actually determined figures.

It was pointed out that the estimates of excess reserves of member banks, made by the Division of Bank Operations, have been found

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to coincide very closely with the actual monthly averages computed from data received from the Federal reserve banks, and some of the members of the Board expressed the view that the business and financial community is entitled to this information even though it is not based on definite figures. It was stated again, as another reason for publishing the weekly estimate, that, if an official estimate be not given out interested parties probably would make estimates of their own which might be very inaccurate and misleading.

Mr. Szymczak moved that a weekly estimate of excess reserves of member banks be inserted in the text accompanying the weekly Federal reserve bank statement in such manner as to make it clear that the amount given is only an estimate and not an actual figure.

Carried, Mr. James voting "no".

It was understood that appropriate advice of the addition to the weekly statement would be sent to all Federal reserve banks.

There were then presented letters dated May 6 and June 5, 1935, from Mr. F. H. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that, in accordance with the Board's letter of March 28, 1935, he had taken up with Mr. Arthur Sewall, a Class A director of the bank, the question of his service as Mayor of the City of Bath, Maine, while serving as a director of the Boston bank; that it was Mr. Curtiss' impression that Mr. Sewall intends to take no action in the matter; and that he is apparently very well convinced in his own mind that his duties as Mayor of the City of Bath do not in any way affect his value as a director of the Federal reserve bank. The letter of June 5 also stated that

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Mr. Curtiss would advise the Board of any further changes in the situation. The letters had been circulated among the members of the Board for their information prior to consideration at a meeting of the Board.

Mr. Morrill stated that Governor Young had discussed this matter with him a short time ago, and that Governor Young had suggested that, as Mr. Sewall's term as Mayor of Bath will expire at the close of the current year, and as he was not aware at the time he accepted the office that he was acting contrary to any policy of the Federal Reserve Board, the Board consider taking no action in the matter until the end of the year.

Mr. O'Connor stated that he felt that, he did not believe the fact alone that a director held a political or public office would be sufficient justification for his removal, but that the important question would be whether holding the office would interfere in any way with his duties as a director of the Federal reserve bank. It was pointed out, however, that the same question might then be applied to any director who had any other occupation.

Mr. O'Connor moved that the Chairman of the Federal Reserve Bank of Boston be requested to advise Mr. Sewall that the Board will interpose no objection to his continuing as a director of the Federal Reserve Bank of Boston and as Mayor of Bath, Maine, until the end of the current year when it is understood the term of his appointment as Mayor will expire.

Carried.

Governor Eccles presented a letter which had been addressed to the Secretary of the Treasury as Chairman of the Board under date of July 2, 1935, by Congressman Ernest Lundeen requesting that he be advised

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of the salaries being received by Mr. John N. Peyton as Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, Mr. E. W. Swanson, Assistant Federal Reserve Agent, and Messrs. J. B. Johnson and W. J. Stutzman, employees of the bank. Governor Eccles said that the letter had been referred to him for a reply and that, in accordance with the previous policy of the Board, a draft of letter to Congressman Lundeen had been prepared stating that the salaries of employees at the Federal reserve banks are paid entirely by the banks and, inasmuch as the individuals concerned are not employed or paid by the United States Government, their compensation is treated as a confidential matter except in the case of the chairman and the governor of each Federal reserve bank whose salaries are published in the Board's annual reports, and that information as to other salaries is left to the discretion of the bank itself. The draft of letter also inclosed a copy of the table containing the data which will be published in the annual report of the Board for 1934 as to salaries at Federal reserve banks as of December 31, 1934.

Governor Eccles referred to the recent action taken by the Board in connection with the request received from Senator Burke for information as to the salaries of employees of the Federal Reserve Board, and stated that, so far as furnishing information to members of Congress is concerned, he could see no essential difference between the salaries of employees of the Federal Reserve Board and employees of the Federal reserve banks. He said that he had brought this matter to the attention of the Board at this time not only for the determination of the

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nature of the reply that should be made to Congressman Lundeen, but for determination of the policy to be followed in answering similar inquiries in the future, and he expressed the opinion that it would be unwise to refuse to give the information requested.

Mr. O'Connor referred to the practice of the Securities and Exchange Commission in publishing the salaries of the officials of private corporations, and expressed the opinion that the Board could not very well refuse to furnish information with regard to salaries at Federal reserve banks which may be termed quasi-Government corporations.

At the conclusion of the discussion, Mr. O'Connor moved that the information requested by Congressman Lundeen be furnished.

Carried.

Mr. Hamlin referred to the Board's letter of March 25, 1935, to the Comptroller of the Currency with regard to requirements proposed by the Board's Division of Examinations in connection with the issuance of voting permits to the Transamerica Corporation and the Transamerica Bank Holding Company and to the reply received from the Comptroller of the Currency under date of May 6, 1935, in which he took the position that the law did not contemplate that the Board would prescribe any requirements in connection with voting permits for holding company affiliates of national banks which would amount to a regulation of the affairs of the national banks, a function which he stated was expressly delegated by Congress to the office of the Comptroller of the Currency.

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Mr. Hamlin also referred to memoranda exchanged by him and the Legal Department with regard to the Board's duties and responsibilities in prescribing conditions in connection with the granting of voting permits, all of which had been circulated among the members of the Board, with a memorandum addressed to the Board by Mr. Hamlin under date of July 8, 1935, in which he recommended adoption by the Board of the following resolution:

"In granting voting permits to holding company affiliates of national banks, a condition shall be imposed that said holding company affiliates of said national banks shall agree to take such action within their power as may be necessary to cause any subsidiary national bank or affiliate thereof to comply with the recommendations or suggestions of the Comptroller of the Currency based upon any report of examination of such banks or affiliates made to him pursuant to authority conferred by law and to comply with the regulations or requirements of the Federal Reserve Board made pursuant to authority vested in it by law."

The memorandum set forth reasons why, in the opinion of Mr. Hamlin, the Board can discharge its full duty in the public interest by imposing the condition above referred to, and stated that, while the Board's counsel is of the opinion that such a condition would be an illegal delegation of power to the Comptroller, Mr. Hamlin feels that such a condition would not be a delegation of power, but rather a recognition of power given to the Comptroller by law. The memorandum concluded with the statement that the question as to other special conditions in particular cases which might be imposed by the Board would be left for determination as circumstances arise.

Mr. Hamlin referred to certain conditions recommended by the Division of Examinations in connection with the issuance of general

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voting permits to the Transamerica Corporation and Transamerica Bank Holding Company, and stated that the imposition of these conditions in all cases of holding company affiliates of national banks would result in responsibility on the part of the Board for the internal management of all such national banks.

Mr. O'Connor expressed the opinion that, while the Federal Reserve Board has complete responsibility in connection with the issuance of voting permits to holding company affiliates, he felt that it would be contrary to the spirit of the law for the Board to prescribe conditions in connection with the issuance of voting permits which would amount to a regulation of the management or operation of national banks as distinguished from the management or operation of the holding company affiliate itself and that, if such a policy were followed it would result in confusion as to the authority of the Board and the Comptroller over national banks. He said that it may be possible, that, in connection with the consideration of the issuance of voting permits to holding company affiliates of national banks, the Federal Reserve Board may have suggestions to make from time to time to the Comptroller with regard to corrections in subsidiary national banks which he would be very glad to receive but that he felt the division of authority between the Board and the Comptroller's office is very clear and that the proposed condition recommended by Mr. Hamlin would be a very satisfactory way to meet the situation.

At the conclusion of the discussion, Mr. Hamlin moved the adoption, as a statement of

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the future policy of the Board, of the resolution contained in his memorandum of July 8, 1935, above referred to.

Carried.

Mr. Hamlin stated that in connection with the application of the Church of Jesus Christ of Latter Day Saints for a permit to vote the stock owned or controlled by it in certain subsidiary banks the question had arisen as to whether the Board should require the submission of Exhibit L (an agreement to permit examination from time to time during the life of the voting permit) and Exhibit N (authorizing supervisory authorities, clearing house associations and other similar organizations to furnish information to the Board and to other specified supervisory authorities) signed and consented to respectively by the Deseret News Publishing Company, a wholly-owned subsidiary of the church.

A brief discussion ensued and Mr. Hamlin moved that, in view of the pendency of the proposed Banking Act of 1935, under section 301 of which the church might be considered not to be a holding company affiliate, the question of requiring the submission of Exhibits L and N in this case be laid on the table until the outcome of the proposed legislation is determined.

Carried.

The minutes of the meetings of the Federal Reserve Board held on June 4, 5, 6, 12, 14, 18, 21, and 24, 1935, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on June 7, 20, 26, and 27, 1935, were approved and the actions recorded therein were ratified unanimously.

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The minutes of the meeting of the Executive Committee of the Federal Reserve Board with representatives of the Industrial Advisory Committees of the Federal reserve banks held on June 25, 1935, were approved.

The Board then acted upon the following matters:

Letter dated July 11, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated July 11, 1935, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, and July 12, 1935, from Mr. Kettig, Deputy Chairman of the Federal Reserve Bank of Atlanta, all 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 July 9, 1935, from Mr. Wyatt, General Counsel, recommending the temporary appointment, for a period of three months, of Miss Mary A. Morgan as a stenographer in the legal division, with salary at the rate of \$120 a month, effective as of the date upon which she enters upon the performance of her duties.

Approved.

Letter dated July 10, 1935, approved by five members of the Board, to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the action taken by your Board of Directors at its meeting on June 28, 1935, advice of which was communicated in your letter of July 1, 1935, the Federal Reserve Board approves a salary at the rate of \$5,200 per

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"annum, effective July 1, 1935, for Mr. Carl M. Saltnes, formerly Chief of the Check Department, who was appointed Manager of the Check Department on April 1, 1935, at which time no change was made in his salary."

Approved.

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

"Re your telegram July 11, 1935, regarding plan of 'Continental-American Bank & Trust Company', Shreveport, Louisiana, to sell \$250,000 preferred stock to Reconstruction Finance Corporation using proceeds to retire a like amount of capital debentures. Board under date of June 17, 1935, authorized you to issue limited permit to holding company affiliate for specific purpose of voting on proposed plan of capital adjustment. Since the conditions under which this bank was admitted to membership in the System do not require approval of Board for reduction in capital and since proceeds of preferred stock to be sold are to be used to retire a like amount of capital debentures, the Board interposes no objection to the proposed capital adjustment."

Approved.

Letter to "The Commercial National Bank of Spartanburg", Spartanburg, South Carolina, 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 and registrar of stocks and bonds, the exercise of 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.

Letter dated July 10, 1935, approved by four members of the Board, to "The Columbia National Bank of Dayton", Dayton, Washington, reading as follows:

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"This refers to the resolution adopted on January 22, 1935, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letters dated July 11, 1935, approved by four members of the Board, to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. Wallace H. Bradley, to serve at the same time as a director of the Springfield National Bank, Springfield, Massachusetts, and as a director of The Morris Plan Company of Springfield, Springfield, Massachusetts, for the period ending January 14, 1936.

Mr. Leo L. Ley, to serve at the same time as a director of The Third National Bank and Trust Company of Springfield, Springfield, Massachusetts, and as a director of The Morris Plan Company of Springfield, Springfield, Massachusetts, for the period ending January 14, 1936.

Mr. John S. Fisher, to serve at the same time as a director of The Forbes National Bank of Pittsburgh, Pittsburgh, Penn-

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sylvania, and as a director of The Savings & Trust Company, Indiana, Pennsylvania, for the period ending January 14, 1936.

Mr. Stewart P. Foltz, to serve at the same time as an officer of the First National Bank of Lawrence County, New Castle, Pennsylvania, and as a director of the Union Trust Company of New Castle, New Castle, Pennsylvania, for the period ending January 14, 1936.

Mr. John G. Klinginsmith, to serve at the same time as a director of The Peoples National Bank of Tarentum, Tarentum, Pennsylvania, as a director of The Arsenal Bank of Pittsburgh, Pittsburgh, Pennsylvania, and as a director of the First National Bank of Etna, Etna, Pennsylvania, for the period ending January 14, 1936.

Mr. Herman Holmes, to serve at the same time as a director and officer of the First National Bank of Crystal Falls, Crystal Falls, Michigan, and as a director and officer of the Miners' State Bank, Iron River, Michigan, for the period ending January 14, 1936.

Mr. W. B. Jacobs, to serve at the same time as a director and officer of the First National Bank of Shreveport, Shreveport, Louisiana, and as a director and officer of The Kilgore National Bank, Kilgore, Texas, for the period ending January 14, 1936.

Mr. R. C. King, to serve at the same time as an officer of the Oak Cliff Bank & Trust Company, Dallas, Texas, and as a director of the First National Bank in Midlothian, Midlothian, Texas, for the period ending January 14, 1936.

Approved.

Thereupon the meeting adjourned.

Orster Monier
Secretary.

Approved:

W. C. ...
Governor.