

A meeting of the Federal Reserve Board was held in Washington on Wednesday, July 24, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on July 12 and 13, 1935, were approved.

The Board then acted upon the following matters:

Telegram from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising that, at the meeting of the board of directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter to Mr. Case, Chairman of the Federal Reserve Bank of New York, reading as follows:

"The Federal Reserve Board has received your letter of July 22, 1935, and approves the action taken by the board of directors of the Federal Reserve Bank of New York on July 18 in granting to Mr. Allan Sproul, Assistant to the Governor and Secretary of your bank, two weeks leave of absence with pay in addition to his regular annual vacation period, which you state will begin on August 5, 1935."

Approved.

Letter to "The Liberty National Bank in Ellsworth", Ellsworth, Maine, 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

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"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 Maine, 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.

Letter dated July 23, 1935, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of June 19, 1935, with which was transmitted the application of 'The Union National Bank of Superior', Superior, Wisconsin, for permission to exercise full fiduciary powers under authority of Section 11(k) of the Federal Reserve Act.

"Consideration has been given to the information submitted by you and by the Comptroller of the Currency. While the applicant bank appears to be in a reasonably satisfactory condition, it has not shown a profit from its operation, and has not demonstrated its ability to survive in this city which appears to have an excess of banking facilities at the present time. It further appears that the bank does not have a real need for trust powers as evidenced by the fact that the predecessor institution, The United States National Bank of Superior, although having been granted authority to act in all fiduciary capacities, was administering only one small trust on the date it was placed in the hands of a conservator, and at the present time the community in which the applicant bank is located is supplied with facilities for handling such business. In view of these facts, the Board is unwilling to grant fiduciary powers to The Union National Bank of Superior at this time.

"You are, therefore, requested to advise The Union National Bank of Superior, Superior, Wisconsin, that the Board has denied its application, but in the event that at any time in the future changing conditions modify the conclusions as set out in the preceding paragraph, it will be glad to consider a new application for trust powers."

Approved.

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Letter dated July 23, 1935, approved by four 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 your letter of June 28, 1935, with which you inclosed copies of certain correspondence with regard to the question whether the Commercial Bank of Spanish Fork, Utah, a member of the Federal Reserve System, is operating a branch at Payson, Utah, in violation of the provisions of the Federal Reserve Act.

"It appears, from the facts submitted in the inclosures with your letter, that the Commercial Service Corporation at Payson, Utah, was organized at the instance of the Commercial Bank of Spanish Fork, or of its president. It is understood that none of the managing officers of the corporation will be an officer of the bank, and, with a single exception, none of the stockholders of the corporation will be a stockholder of the bank. The corporation cashes checks for persons in its community and receives deposits as agent of the depositor for transmission to the Commercial Bank for credit to the account of the depositor. It is stated that the same service is rendered with respect to other banks. The corporation does not receive applications for loans upon behalf of any bank and, apparently, does no business which could be classified as a general banking business.

"For its services in transmitting funds received for deposit and for making change and cashing checks a charge is made to the individual for whom this service is rendered. It is understood, further, that the corporation is not under the direction or control of the bank and is not the bank's agent at any time in any transaction. The bank is under no liability with respect to any deposit until such deposit has been received at the bank.

"The bank furnishes the corporation, for the use of the depositors, printed deposit tickets, and these are made out by the depositor at the same time that he fills out a receipt form for the signature of the corporation. Funds necessary for cashing checks and making change are obtained by the corporation by borrowing from the bank in the same manner as other customers of the bank borrow. Neither the Commercial Bank nor any other bank is liable for any expense of operation of the corporation or for salaries of any of its employees.

"If the operations of the Commercial Service Corporation at Payson and of the Commercial Bank of Spanish Fork are carried out strictly in accordance with the facts set forth in the inclosures with your letter, it would not appear that the Commercial Bank is operating a branch within the meaning of that term as used in section 9 of the Federal Reserve Act, prohibiting newly established out-of-town branches of State member banks. However, if

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"there should be any change in the facts with regard to this matter or if the operations should not be carried out in accordance with the facts as stated, the question whether a branch is being operated would be one for further consideration in the light of the situation as changed. Please advise the Commercial Bank of the Board's views with regard to this matter.

"If obtainable, please forward to the Board a copy of Mr. Thatcher's letter referred to in the second paragraph of the opinion of the Attorney General of Utah on this subject."

Approved.

Letter dated July 23, 1935, approved by four members of the Board, to Mr. G. E. Safford, Vice President of the First National Bank, Glenn Falls, New York, reading as follows:

"This refers to your letter dated July 8, 1935, regarding the making of withdrawals from a savings deposit without presentation of the pass book. In your letter you state a case in which a withdrawal against a savings deposit without presentation of the pass book is allowed because of extraordinary circumstances or because it is the judgment of the bank official that the circumstances warrant payment without presentation of the pass book. You ask to be advised whether such an account must thereafter be classified as a demand account and, if so, whether interest may be paid thereon.

"In view of the definition of a savings deposit contained in section V(a)(1) of the Federal Reserve Board's Regulation Q, which provides that the pass book or other form of receipt evidencing such deposit must be presented whenever a withdrawal is made, a deposit should no longer be classified as a savings deposit if a withdrawal is permitted without presentation of the pass book even though such withdrawal is allowed because of extraordinary circumstances, but such deposit should thereafter be classified as a deposit payable on demand. Under the provisions of section 19 of the Federal Reserve Act no interest may be paid (with certain exceptions not pertinent to this inquiry) on any deposit which is payable on demand.

"You also ask to be advised whether the Board's ruling would be the same if all of the circumstances were the same as described above except that, not only was the withdrawal allowed without presentation of the pass book, but the payment was actually made to a third person on a properly written order. You are advised that under such circumstances the ruling of the Board would be the same, namely, that the deposit should no longer be classified as a savings deposit.

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"If you have any further questions with regard to this matter, or any similar matter, it will be appreciated if you will consult the Federal Reserve Agent at the Federal Reserve Bank of New York."

Approved.

Letter to Mr. John M. Dredger, Jr., Philadelphia, Pennsylvania, reading as follows:

"Your letter of July 11, 1935 to the Securities and Exchange Commission has been referred to the Federal Reserve Board.

"In accordance with the Securities Exchange Act of 1934, the Board's Regulation T provides, in section 5, that a broker may not extend credit on an unregistered security, which would include the 'senior security' to which you refer, for the purpose of purchasing or carrying securities. The section, however, permits a broker to accept or retain such security, under certain conditions, as security for the maintenance of credits initially extended prior to October 1, 1934, or extended in conformity with the regulation, for the purpose of purchasing or carrying securities. These provisions are applicable to an 'old account', designated as such in accordance with section 7(a) of the regulation, as well as to a 'new account'.

"Inclosed are a copy of Regulation T of the Federal Reserve Board and copies of the amendments of this regulation adopted to date."

Approved.

Memorandum dated July 18, 1935, approved by five members of the Board, from Mr. Morrill, to which was attached a set of papers consisting of a proposed invitation for bids, form of bid, form of contract, and form of performance bond for the demolition and removal of the temporary building now located on the site of the proposed building of the Federal Reserve Board. The memorandum stated that Mr. Miller, as Chairman of the Board's building committee, recommended that these forms and the procedure contemplated thereby be approved

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by the Board and that authority be granted to him to fix the periods of time and dates which were left blank in the forms as circumstances may require with the view to expediting the destruction and removal of the temporary building as much as possible. The memorandum also stated that the approval of the forms and the authority to proceed with the destruction of the building accordingly should carry with it the authority to the Chairman of the Board's building committee to make such changes as may be necessary in accordance with the suggestion of counsel in view of any legislation or executive orders that may become effective prior to the execution of any of the steps covered by the forms.

Approved.

Letter to Mr. Grayson, Auditor of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of July 18, 1935, inclosing a summary statement of the procedure followed in auditing the books of the Fiscal Agent of the Federal Reserve Board. The statement has been reviewed and one or two minor changes are indicated on the copy attached hereto.

"There is also inclosed a copy of a draft of a letter which it is proposed to send to all Federal reserve banks transmitting a copy of your statement. If you approve the statement with the suggested changes and the attached letter of transmittal and will so advise the Board, they will be sent to the Federal reserve banks promptly."

Approved.

Letter dated July 23, 1935, approved by four members of the Board, to Honorable Stewart McDonald, Acting Administrator of the Federal Housing Administration, reading as follows:

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"In accordance with your request of July 19, 1935, there is transmitted herewith a letter relative to the classification by examiners for the Federal Reserve Banks of loans insured under the provisions of Section 2, Title I, of the National Housing Act, as amended.

"The letter may be reproduced and made public if you so desire."

Approved, together with a letter also to Honorable Stewart McDonald, reading as follows:

"In a letter dated September 4, 1934, the Federal Housing Administrator was advised that the Federal Reserve Board had instructed the Federal Reserve Agents at each of the Federal Reserve Banks as follows:

'The Board feels that the examiners for the Federal Reserve Banks should be instructed that no part of the loans made under the provisions of Section 2, Title I of the National Housing Act should be classified as slow, doubtful, or loss so long as the insurance provided by the Federal Housing Administration adequately covers the loans or portions thereof which might otherwise be so classified.'

"The Federal Reserve Board has advised the Federal Reserve Agents that the principle expressed above applies to all loans insured under the provisions of Section 2, Title I, of the National Housing Act, including loans in excess of \$2,000 but not in excess of \$50,000 for which provision was made in the amendment to the National Housing Act approved May 28, 1935.

"The attention of the Federal Reserve Agents and the examiners for the Federal Reserve Banks has also been called to the fact that the regulations issued by the Federal Housing Administration provide for the segregation of insurance reserves calculated on advances of credit not exceeding \$2,000 from those calculated on advances of credit from \$2,000 to \$50,000, and that claims for loss on either class of notes will be paid only out of the respective insurance reserves."

Letter dated July 25, 1935, approved by five members of the Board, to Governor Hamilton of the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of July 1, with which was inclosed a copy of Mr. Leedy's letter of June 29 to Mr. Grant, of Denver, Colorado, regarding the practice of your Denver branch in handling drafts drawn on business concerns which are received by the branch on Saturday.

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"It is assumed that the problem which Mr. Grant has in mind has been taken care of for the present at least. In view of the questions involved in the handling of such drafts we agree with you that it would be desirable to have the matter considered by the Standing Committee on Collections of the Federal Reserve System. Accordingly, Governor Calkins has been requested to refer the question to that Committee. A copy of the Board's letter to Governor Calkins is inclosed."

Approved, together with a letter to Governor Calkins of the Federal Reserve Bank of San Francisco, reading as follows:

"The Federal Reserve Board has had some correspondence recently with one of the Federal Reserve banks with respect to the handling of drafts drawn on non-banking institutions which are received by the Federal Reserve banks on Saturday morning. It appears that certain corporations in its district are closed all day Saturday during the months of June, July and August; that drafts are drawn on such corporations payable through certain named banks and are handled as cash items; and that when such drafts are received by the Federal Reserve bank or its branch on Saturday morning, they are customarily paid through the clearings on that date. Recently, however, one of the banks through which a draft was payable refused to handle the draft when presented on Saturday morning. In this case the Federal Reserve branch held the item over until the following Monday, when it was again presented and paid.

"The Federal Reserve bank in writing to the Board stated that the question for determination is whether such items received in cash letters for presentation on Saturdays should be handled by the Reserve bank as cash items with the Federal Reserve bank absorbing the float until Monday or whether they should be treated as non-cash collections for credit to the bank's endorsers when paid.

"It is assumed that similar situations may exist in other districts and for this reason it is felt desirable to have the Standing Committee on Collections of the Federal Reserve System look into the question and submit a report and recommendation at an early date with respect to the policy it feels should be followed by the Federal Reserve banks in the handling of such drafts.

"We shall appreciate it, therefore, if you will refer this question to the Standing Committee on Collections."

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

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"Reference is made to Assistant Federal Reserve Agent Osgood's letter of July 15, 1935, inclosing an informal application by The First National Bank of Boston, Boston, Massachusetts, for the Board's approval of the service of Mr. E. J. Wunneke as an employee of that bank and an officer of The First of Boston International Corporation, New York, New York, a wholly owned subsidiary of The First National Bank of Boston, owned and operated under the provisions of Section 25 of the Federal Reserve Act.

"On the basis of this application and in view of the favorable recommendation of Assistant Federal Reserve Agent Osgood, the Board grants permission to Mr. Wunneke to be at the same time an employee of The First National Bank of Boston and an officer of The First of Boston International Corporation. Please inform Mr. Wunneke, the bank and the corporation of the Board's action in the matter.

"A copy of this letter is being forwarded to the Federal Reserve Agent at New York for his information and files."

Approved.

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

"Consideration has been given to the additional information forwarded with your letter of June 14, 1935, regarding the application of Mr. Edward R. Leader under the provisions of Section 32 of the Banking Act of 1933 for a permit to serve as director and officer of the National-Dime Bank of Shamokin, Pennsylvania, and as director, officer and manager of Leavens & Leader, of Shamokin, Pennsylvania. In its letter of March 5, 1935, the Board stated that in view of the fact that Leavens & Leader were correspondents of J. & W. Seligman & Company, for whom they acted as local distributors, it appeared that Leavens & Leader were engaged in the business of 'selling' securities within the meaning of Section 32, and that, therefore, the Board agreed with the conclusion reached by your counsel that the relationships of Mr. Edward L. Leader were within the intendment of Section 32.

"It appears from the information submitted with your letter of June 14, 1935, that the contract between Leavens & Leader and J. & W. Seligman & Company has been terminated and that Leavens & Leader are now doing merely a commission business, executing orders for the purchase and sale of securities on behalf of others in the open market; and it further appears that Leavens & Leader are not engaging in underwriting, distributing or dealing in securities, and that they are not making loans secured by stock

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"or bond collateral either in connection with the carrying of margin accounts or otherwise.

"In view of this additional information, the Board agrees with the conclusion reached by your counsel that the provisions of Section 32 are no longer applicable to Mr. Leader's relationships."

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of May 29, 1935, in reply to the Board's letter of April 23, 1935, relative to the amended Clayton Act permit granted to Mr. W. L. Hemingway, St. Louis, Missouri, to serve at the same time as director and officer of Mercantile-Commerce National Bank in St. Louis and Mercantile-Commerce Bank and Trust Company, both of St. Louis, Missouri.

"It is noted from the information submitted in your letter of May 29, 1935, that, in addition to the two banks included in his permit, Mr. Hemingway is also serving as president of the Mercantile-Commerce Company and as chairman of the board of the Bank of Commerce Liquidating Company, which organizations were not listed at item 12 of F.R.B. Form 94 in his original application; but that the Mercantile-Commerce Company has no assets except obligations of the United States Government or its agencies, has no liabilities and makes no loans on collateral, and that the Bank of Commerce Liquidating Company is not now engaged in the making of loans and does not make any loans with securities as collateral, although it has a number of investments in the form of lands, bonds, mortgages, notes on collateral and unsecured notes.

"Since it appears that none of the non-banking corporations served by Mr. Hemingway make loans secured by stock or bond collateral within the meaning of Section 8A of the Clayton Act, the Board authorizes you to release to Mr. Hemingway and the banks involved the permit and copies thereof inclosed with the Board's letter of April 23, 1935, to you."

Approved.

Letter to an applicant for a Clayton Act permit advising of the issuance of a permit by the Board as follows:

Mr. James M. Doubleday, to serve at the same time as an employee of The New York Trust Company, New York, New York, and

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as a director of The First National Bank and Trust Company of Ridgefield, Ridgefield, Connecticut, for the period ending January 14, 1936.

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. 12</u>		
The Compton National Bank, Compton, California	1	
The Anglo California National Bank of San Francisco, San Francisco, California	30	
The First American National Bank of Port Townsend, Port Townsend, Washington	9	40
	<u>Total</u>	<u>40</u>

<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 6</u>		
The First National Bank of Linden, Linden, Alabama	15	15
<u>District No. 12</u>		
The First National Bank of Loma Linda, Loma Linda, California	33	33
	<u>Total</u>	<u>48</u>

Approved.

Thereupon the meeting adjourned.

Chas. H. Correll
Secretary.

Approved:

W. C. Lewis
Governor.