

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, August 2, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The Committee acted upon the following matters:

Letter dated August 1, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated August 1 from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, 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.

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

"Reference is made to Mr. Fenner's letter of July 18 inclosing copies of correspondence with the First National Bank of Carbondale, Pa., regarding a contemplated adjustment in that bank's holdings of Federal Reserve bank stock.

"It is noted that while the subject bank has retired preferred stock in the amount of \$26,000 it has set up a reserve for dividends payable in common stock in the amount of \$42,000. This matter was taken up informally with the office of the Comptroller of the Currency and, as shown in the following excerpt taken from a letter addressed to the bank by Mr. Gough, Deputy Comptroller of the Currency, \$16,000 of the \$42,000 shown in the reserve for dividends payable in common stock should have been included in the preferred stock retirement fund:

'It is, therefore, obvious that you must have in your retirement fund the full amount to be used for the par value and premium of the stock which you

8/2/35

-2-

"propose to retire. You will please, therefore, now transfer the excess \$16,000 which is now in the reserve for dividends payable in common stock to your preferred stock retirement fund, where it should remain until the retirement is consummated and it is then proper to close out the preferred stock retirement fund or so much of it as may have been used."

"It is probable that, in response to Mr. Gough's letter, an adjustment has by now been made in the bank's books, transferring the \$16,000 to the preferred stock retirement fund, in which case the bank's holdings of Federal Reserve bank stock, in accordance with the Board's letter of May 20, 1935, X-9215, should be based on \$110,000 of common stock, \$274,000 of preferred stock, and \$376,000 of surplus, including \$26,000 reserve for dividends payable in common stock (corresponding to the amount of preferred stock which has been retired).

"The two questions raised in the second paragraph of Mr. Fenner's letter, with respect to reserves for dividends payable in common stock, will be considered in connection with possible revisions of Regulation I, which is now being reviewed in view of certain provisions contained in the proposed Banking Act of 1935."

Approved.

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

"Reference is made to your letter of July 24, 1935, inclosing a copy of a letter dated July 23, 1935, from Gardner B. Perry, Vice President of 'Northwest Bancorporation', Minneapolis, Minnesota, in which a limited voting permit was requested authorizing Northwest Bancorporation to vote stock of 'First National Bank in Garrison', Garrison, North Dakota, for the purpose of ratifying the action of the board of directors in accepting a proposal from Garrison State Bank providing for the assumption of the liabilities of First National Bank in Garrison by, and the transfer of assets of such bank to, Garrison State Bank and to place First National Bank in Garrison in voluntary liquidation.

"The Board has considered this request and authorizes the issuance of a voting permit which shall entitle Northwest Bancorporation to vote the stock which it owns or controls of First National Bank in Garrison, Garrison, North Dakota, for the following limited purposes:

At any time prior to October 1, 1935,

1. To ratify the acceptance of a proposal providing

8/2/35

-3-

"for the assumption of the liabilities of First National Bank in Garrison by, and the transfer of assets of such bank to, Garrison State Bank, Garrison, North Dakota;

2. To place First National Bank in Garrison in voluntary liquidation;

3. To take such further action as is necessary to effect such assumption of liabilities, transfer of assets and liquidation;

provided that all action taken shall be in accordance with a plan satisfactory to the Comptroller of the Currency.

"Please have the permit authorized herein prepared by counsel for the Federal Reserve Bank of Minneapolis in the usual form. It will be appreciated if you will mail to the Board for its records two executed copies of the permit issued by you under the authorization contained in this letter."

Approved.

Letter to Honorable Clarence F. Lea, House of Representatives,
reading as follows:

"Receipt is acknowledged of your letter of July 25, 1935, requesting information as to the names and compensation of attorneys and counsel on the regular payroll of the Federal Reserve Bank of San Francisco. Mr. A. C. Agnew is retained by the bank as its Counsel at an annual retainer fee of \$10,000. The latest available salary list of the bank (January 1, 1935) also shows two attorneys as temporary employees, Mr. L. W. Hodges, with an annual salary of \$3,000, and Mr. H. D. Armstrong, with an annual salary of \$2,400."

Approved.

Letter to Honorable Robert F. Rich, House of Representatives,
reading as follows:

"Your letter of July 24 to the Secretary of the Treasury asking for information with respect to losses sustained by the Federal Reserve banks during the past six years, with

8/2/35

-4-

"particular reference to the Federal Reserve Bank of Philadelphia, has been referred to the Federal Reserve Board for reply.

"The information you request is now being compiled and will be forwarded to you at an early date."

Approved.

Letter to Honorable Henry Morgenthau, Jr., Secretary of the Treasury, reading as follows:

"Referring to our letter of July 31, 1935, inclosing copies of certain correspondence with regard to the receipt of deposits and the issuance of cashier's checks by the Federal Reserve Bank of Atlanta in connection with a suit brought in the United States District Court for the Middle District of Georgia to enjoin the collection of processing taxes, there is inclosed herewith a copy of a telegram received by the Board under date of August 1, 1935, with further reference to this matter.

"Although the plan as outlined in the most recent telegram from the Federal Reserve Bank of Atlanta on this subject differs in certain essential respects from the facts as stated in the inclosures with the Board's letter of July 31, nevertheless, before acting upon the request of the Federal Reserve Bank, the Board will be glad to be advised as to whether your Department has any objection to the plan as outlined in the telegram of August 1."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Retel August 1, 1935. Question whether Northeastern Water and Electric Corporation and its subsidiaries are affiliates of Chemical Bank and Trust Company, New York City, is under consideration by the Board. In view of this fact and the recommendation of your office, the Board extends the time for the filing of affiliate reports for such organizations until it rules upon the above question. If possible you will be advised of the Board's ruling not later than August 5."

Approved.

8/2/35

-5-

Letter to Mr. Shepherd, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"In your letter of July 20, submitting certain condition reports and affiliates' reports of the State member banks in your district, you call attention to the fact that the affiliate report of the Farmers & Merchants Bank of Salisbury, Maryland, is not of the same date as the condition report of the bank. Under the circumstances publication of a corrected report as of the date of the bank's own report will not at this time be required but the bank should be advised that hereafter the report of the affiliate should be as of the same date as the condition report of the bank."

Approved.

Letter to Honorable J. Hamilton Lewis, United States Senate, reading as follows:

"Reference is made to your letter of July 26 with regard to the prohibition against loans by member banks to their executive officers contained in Section 22(g) of the Federal Reserve Act, as amended.

"The Comptroller of the Currency stated before the Subcommittee of the Senate Committee on Banking and Currency, in the course of the hearings on the proposed Banking Act of 1935 (part 1, page 66, of the printed hearings), that in June 1933 officers of national banks owed their banks on direct loans about \$90,000,000 and on indirect loans (i.e., loans on which they were liable as endorsers or guarantors) about \$40,000,000. The Comptroller further stated that in the two-year period following June 1933, both direct loans and indirect loans by national banks to their executive officers had been reduced approximately 33 percent.

"Corresponding data covering loans made to their executive officers by State bank and trust company members of the Federal Reserve System are not available. You may be interested in knowing, however, that total loans of all member banks on March 4, 1935, the latest available call date, were reported as \$11,953,000,000, of which \$7,479,000,000 were loans of national banks and \$4,474,000,000 loans of State bank members of the Federal Reserve System."

Approved.

8/2/35

-6-

Letter to Mr. J. W. Adams, Division Manager, American Telephone and Telegraph Company, Washington, D. C., reading as follows:

"Reference is made to your service No. 025428, covered by the contract between the Federal Reserve Board and the American Telephone and Telegraph Company, which provides for daily Morse telegraph service between the Federal Reserve Banks of Chicago and Kansas City between the hours of 8:00 a. m. and 8:00 p. m., Central Standard Time.

"The banks involved have requested that arrangements be made for the installation at as early a date as practicable, of a forty-speed tape teletype service between Kansas City and Chicago on an eight hour schedule from 8:30 a. m. to 4:30 p. m., Central Standard Time, daily except Sundays.

"The contract rate on the present Morse circuit between Chicago and Kansas City is \$1,000 a month. Your Mr. DeBarbieri advises that the line rate on the new teletype circuit, on the basis of an eight hour schedule, daily except Sundays, will be \$336.00 a month, and that the monthly charge on the teletype machines used will be \$35.00 each for machines in regular use and \$15.00 each for spare machines.

"It will be appreciated if you will arrange to have the teletype circuit installed as promptly as practicable (if possible, not later than the opening of business on August 5, 1935) and advise this office by telephone the date upon which the installation will be completed in order that advice may be sent to the Federal Reserve Banks of Chicago and Kansas City. It will also be appreciated if you will forward revised appendix sheets covering the new circuit for execution and attachment to the existing contract between your company and the Federal Reserve Board."

Approved.

Letter dated August 1, 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:

"As requested in your letter of July 8, 1935, the Board has given consideration to the question whether Mr. W. Chester Brasuell, assistant secretary of Manufacturers and Traders Trust Company, Buffalo, New York, should be considered an 'employee' of three national banks within the meaning of the Clayton Act.

8/2/35

"It appears from the information forwarded with your letter that Mr. Brasuell furnishes investment advice to the three national banks, as well as to certain other banks, and that he receives fees for rendering such services which, for the past year, totalled in the neighborhood of \$4,000.

"Although it appears that some of the banks to which Mr. Brasuell furnishes investment advice enter the payments made to him in their salary accounts, it does not seem that this fact should be regarded as controlling in determining the character of the relationships involved. It appears that Mr. Brasuell is not subject to the immediate supervision or control of the officers of such banks, but that, on the contrary, he is exercising an independent discretion in giving them the benefit of his specialized knowledge regarding investments. Under the circumstances, it would not seem that his relationship with the banks is that of an employee; and this conclusion receives further support from the fact that he is furnishing such advice to eight banks, not counting the trust company of which he is an officer.

"Therefore, in view of the information submitted, the Board sees no reason to differ with the conclusion reached by your counsel that Mr. Brasuell should not be regarded as an 'employee' of any of the three national banks within the meaning of the Clayton Act; and it will be appreciated if you will make appropriate reply to the inquiries of Mr. Brasuell and of the Executive Vice President of The Citizens National Bank, Wellsville, New York."

Approved.

There was then presented the following application for a change in stock of a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
The Davis National Bank of Mullins, Mullins, South Carolina.	36	36

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]
Governor.

[Signature]
Secretary.