

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 28, 1935, at 11:30 a. m.

PRESENT: Mr. Thomas, Vice Chairman
Mr. Miller
Mr. James
Mr. Szymczak

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

The Committee acted upon the following matters:

Memorandum dated August 14, 1935, approved by four members of the Board, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the appointment of Mr. Chandler Morse, of the Foreign Information Division of the Federal Reserve Bank of New York, as a junior research assistant in the Division, which was approved by the Board on June 14, 1935, effective as of the date upon which he resigned from the Federal Reserve Bank of New York, be made effective as of September 1, 1935; and that Mr. Morse be reimbursed by the Board for his traveling expenses in connection with a trip from New York to Washington and return which has been made in connection with some of the work of the foreign section of the Board's Division of Research and Statistics.

Approved unanimously.

Letter to the board of directors of "The State Savings Bank of Gagetown", Gagetown, Michigan, stating that, subject to the conditions

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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 unanimously.

Telegram dated August 27, 1935, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, referring to the application of the "First Security Bank of Provo", Provo, Utah, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the First Security Bank of Provo, the Federal Reserve Bank of San Francisco is authorized to cancel such stock and make a refund thereon.

Approved unanimously.

Letter dated August 27, 1935, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Under caption 9 of your analysis of the report of examination of The Security Bank and Trust Company, Wharton, Texas, as of June 1, 1935, you referred to an 'excess balance' being carried by the member bank with W. L. Moody & Company, Galveston, Texas, which is understood to be an unincorporated firm of private bankers. You raised the question whether the provision of section 19 of the Federal Reserve Act restricting deposits by a member bank with a nonmember 'State bank or trust company' to a sum not in excess of 10 per cent of the member bank's capital and surplus is applicable to a deposit by a member bank with such a firm of private bankers.

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"In view of the terms of the limitation contained in section 19, it appears that such limitation is not applicable to a deposit by a member bank with an unincorporated firm of private bankers. The Board has heretofore considered circumstances having a bearing on this conclusion in connection with other provisions of the Federal Reserve Act and, in a ruling published at page 693 of the Federal Reserve Bulletin for September 1917, the Board reached the conclusion that the Federal Reserve banks are not authorized to receive deposits from unincorporated private bankers under the provisions of section 13 of the Federal Reserve Act which authorize Federal Reserve banks to receive deposits for certain purposes from 'any nonmember bank or trust company'. In a ruling published on page 108 of the Federal Reserve Bulletin for February 1935, the Board has also reached the conclusion that amounts due to and from private bankers may not be included by member banks in amounts due to and from 'other banks' in computing the reserves required to be maintained by member banks under the provisions of section 19 of the Federal Reserve Act.

"However, the purpose of the provision to which you refer is obviously to restrict the amount of deposits of member banks in banking institutions which are not members of the Federal Reserve System. Therefore, it is felt that the carrying of the balance here in question is contrary to the spirit and purpose of the Federal Reserve Act and should be discouraged, even if it is not technically in violation of the letter of the law, and it is suggested that you advise the member bank accordingly."

Approved unanimously.

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

"Reference is made to Mr. Gidney's letter of June 8, 1935, with inclosures, regarding the reorganization of the Clinton Trust Company, Newark, New Jersey, wherein it is noted that your counsel is of the opinion that, subject to the constitutionality of the statute under which the trust company was reorganized and which question is now before the court, the reorganization was validly consummated.

"In the Board's letter of December 18, 1934, attention was called to an apparent violation of Section 9 of the Federal Reserve Act, as amended by Section 5(c) of the Bank-

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"ing Act of 1933, through the purchase by the trust company in connection with its reorganization of \$1,000 of capital stock of the Newark Mortgage Company which was organized to liquidate trustee assets for the benefit of waiving creditors.

"It is noted from Mr. Gidney's letter that your counsel is of the opinion that the stock was not purchased by the trust company in violation of the statute and that the payment of the subscription price was a reasonable expense of reorganization. However, it is reported that the stock is held in trust for the benefit of the trust company and the circumstances surrounding the acquisition and holding of the stock are such that the transaction would appear to be in violation of Section 9 of the Federal Reserve Act, as amended. In view of all the circumstances involved, the Board is not disposed to take any action regarding the matter but feels that in order to eliminate the apparent violation it would be desirable to remove the stock in the manner suggested by Mr. Gidney in his letter of June 8, 1935, or in some other appropriate manner."

Approved unanimously.

Letter dated August 27, 1935, approved by two members of the Board, to Mr. Clinton W. Ludlum, President, The Second National Bank of Hempstead, Hempstead, New York, reading as follows:

"Receipt is acknowledged of your letter of August 23, 1935, requesting permission to change the corporate title of your institution by adding thereto the words 'Trust Company.'

"Under the provisions of the National Bank Act any change in name of a national bank is subject to the approval of the Comptroller of the Currency. While the Board of Governors of the Federal Reserve System has no objection to the proposed change, its approval thereof is not required."

Approved unanimously.

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Letter dated August 27, 1935, approved by four members of the Board, to Mr. Rudolf S. Hecht, Chairman, Special Committee on the Banking Act of 1935, American Bankers Association, New Orleans, Louisiana, reading as follows:

"In view of the fact that the Banking Act of 1935, recently enacted, makes certain changes in the law with respect to the payment of deposits and interest thereon by member banks of the Federal Reserve System, the Board is now engaged in the preparation of a revision of its Regulation Q relating to this subject. There are inclosed herewith six copies of a tentative draft of the proposed revision of Regulation Q concerning which the Board will be very glad to have any comments or suggestions which you or your Committee may care to submit. It will be appreciated if you will submit any such suggestions or comments at the earliest practicable date and, in any event, not later than thirty days from the date of this letter.

"Your special attention is invited to the definition of savings deposits in subsection (e) of section II of the inclosed draft of the regulation. As you know, the Banking Act of 1935 prohibited the payment of interest on demand deposits and the payment of time deposits before maturity but did not make these restrictions applicable to savings deposits. Accordingly, savings deposits are a favored class of deposits which offer the greatest temptation for improper classification because they are the only deposits with respect to which member banks have the privilege of making payment on demand with interest and, at the same time, of carrying reserves of only 3 per cent.

"In addition to the improper classification of demand deposits and time deposits as savings deposits, there has been considerable abuse of savings deposits in certain sections of the country by using them as checking accounts through the method of drawing negotiable or non-negotiable orders on such deposits payable to third parties and sending such orders through the regular banking channels for collection without the presentation of the pass book. This abuse has usually been coupled with the practice of leaving the pass book with the depository bank, despite the Board's ruling that a deposit may not be classified as a savings deposit if the pass book is retained by the bank.

"For many years the Board has endeavored unsuccessfully to prevent the evasion of the reserve requirements through the device of classifying interest bearing personal checking

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"accounts as savings deposits. Since the enactment of the statute prohibiting the payment of interest on demand deposits the temptation to evade the law in this manner is much greater and will become increasingly greater as business revives and competition for bank deposits becomes more active.

"The definition contained in the attached draft of the regulation has been prepared in an endeavor to meet the evasions and abuses mentioned above and to provide a workable and effective basis of classification of savings deposits. It will be noted that the requirement that savings deposits shall consist of funds accumulated for 'bona fide thrift purposes' has been omitted from the definition and that there has been substituted a requirement that savings deposits shall consist of funds of one or more individuals or of an organization not operated for profit. It is hoped that this restriction upon the class of depositors whose funds may be classified as savings deposits may eliminate most of the cases in which funds have been improperly classified as savings deposits.

"Paragraph (1) of the new definition is essentially the same as paragraph (2) of the existing definition. Paragraphs (2) and (3) of the new definition are designed to liberalize the requirement that the pass book must be presented whenever a withdrawal is made and the Board's ruling that the pass book may not be retained by the bank, so as to care for certain cases of hardship and inconvenience which would be caused by a rigid enforcement of such requirements, and still to place such restrictions on the making of withdrawals as will prevent the use of savings deposits as checking accounts. It should be noted that paragraph (3) prohibits the making of withdrawals from savings deposits by negotiable instruments payable to or indorsed to a third party. The only exception to this prohibition is in cases where a depositor makes a withdrawal through the agency of a bank, in which case, the collecting bank may be the payee of a negotiable instrument drawn upon the depository bank.

"In connection with the proposed definition of savings deposits which has been incorporated in the draft of Regulation Q sent you herewith, the Board will be glad to receive any comments which you may wish to make as to the desirability of changing the period at the end of paragraph (3) of the definition to a semicolon and adding, with the appropriate number, either or both of the following two paragraphs:

PARAGRAPH A

If more than one withdrawal be made
from such deposit during any one calendar

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"week, no interest shall be paid on any part of such deposit for the calendar month in which Saturday of such week falls.

PARAGRAPH B

The amount in such deposit plus the amount in any other savings deposit belonging to the same depositor in the same bank does not exceed \$10,000.

"Paragraph A would be inserted for the purpose of preventing the classification as savings deposits of deposits which have a large amount of activity. In some cases several withdrawals a week are made from savings accounts. It would seem that such accounts should be classified as demand checking accounts but if they are classified as savings deposits the proposed paragraph would prevent the payment of interest during the month in which the excessive number of withdrawals is made. It is believed that the proposed limitation of not more than one withdrawal during any one calendar week would be sufficiently liberal to accommodate persons who find it necessary to draw upon their savings accounts and who are accustomed to paying their bills on a weekly basis. However, even if the principle of limitation upon the number of withdrawals during a given period is desirable, it may be that a different number of withdrawals during a particular period would be more satisfactory.

"Paragraph B, which limits the amount in a savings deposit to \$10,000, would supplement the limitation upon the class of depositors who may maintain savings deposits by adding an amount limitation on such deposits. Although any such limitation is open to the criticism that the amount is arbitrary, the question arises whether such a limitation might be of some value in preventing the classification as savings deposits of deposits which do not consist of funds of the type which it is believed Congress had in mind in enacting the provisions regarding savings deposits. It is possible, of course, that some amount other than \$10,000 would be more advisable as a limitation.

"As indicated above, the Board will be glad to have your comments and suggestions and those of your Committee not only with regard to the draft of the definition of savings deposits but also with regard to the other provisions of the inclosed tentative form of the regulation.

"The tentative draft of the regulation has been prepared by the Board's staff but not considered by the Board and, in order to expedite the matter and with the permission of the

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"Board, is being sent to you at the same time that it is being submitted to the members of the Board for consideration."

Approved unanimously, together with similar letters also dated August 27, 1935, and approved by four members of the Board to Mr. O'Connor, Comptroller of the Currency, and Mr. Crowley, Chairman of the board of directors of the Federal Deposit Insurance Corporation.

Letter to Mr. P. B. Dunn, President, The Littleton National Bank, Littleton, Colorado, reading as follows:

"This refers to your letter dated August 6, 1935, concerning the Board's ruling in regard to certificates of deposit payable 'six or twelve months after date'. You state that the latest ruling on the subject in your files is the Board's ruling published at page 43 of the January, 1934, Federal Reserve Bulletin and you ask to be advised as to the latest ruling of the Board.

"You are advised that the ruling found at page 45 of the January, 1934, Federal Reserve Bulletin is the latest published ruling of the Federal Reserve Board on this subject and that no ruling inconsistent with the above ruling has since been made.

"As you will notice, the certificate which was discussed in such ruling matured at the end of six or twelve months from date and also gave the holder the right to reduce the term of the certificate upon giving thirty days' written notice, in which event the certificate could be paid on such earlier date, but without interest. You state that it is your understanding that the Board's ruling was that if such certificate were not cashed at the expiration of six months it became a time deposit payable at the expiration of twelve months. This interpretation of the Board's ruling is correct except for the additional fact that the certificate discussed in the ruling was also payable at any time upon the giving of thirty days' written notice.

"The facts regarding the certificates of deposit issued by your bank are not stated fully in your letter and, accordingly, the Board is unable to express any opinion as to such certificates.

"If you have any further question with regard to this matter or any similar matter it will be appreciated if you will communicate with the Federal Reserve Agent at the Federal

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"Reserve Bank of Kansas City."

Approved unanimously.

Letter dated August 26, 1935, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Section 319 of the Banking Act of 1935 approved August 23, 1935, provides that 'Any member bank which holds capital stock of a Federal Reserve bank in excess of the amount required on the basis of six percentum of its paid-up capital stock and surplus shall surrender such excess stock'. Accordingly, it is requested that a check-up be made of each member bank's holdings of Federal Reserve bank stock, using the June 29, 1935 condition reports as a basis, and that any member bank holding stock in excess of six per cent of its aggregate paid-up capital stock, capital notes and debentures sold to the Reconstruction Finance Corporation, and surplus, including reserve for dividends payable in common stock described in the Board's letter of May 20, 1935 (X-9215), be requested to submit an application for cancelation of its excess holdings. The attached application form, a supply of which should be prepared locally, should be used for this purpose. When an application in any such case has been found to be correct and in proper form the Federal Reserve bank stock may be canceled without submitting the application to the Federal Reserve Board.

"As you know, the draft of the proposed revision of Regulation I provides that applications for issuance and cancelation of Federal Reserve bank stock, except incident to applications for membership, shall be handled at the Federal Reserve banks without submission to the Board. Although the revised regulation has not been approved by the Board, until further notice it will not be necessary to submit to the Board applications for cancelation of Federal Reserve bank stock on account of excess holdings thereof, even though such holdings of Federal Reserve bank stock may have become excessive subsequent to the date of the enactment of the Banking Act of 1935. Pending the issuance of revised Regulation I, please furnish the Board at the end of each month with a statement showing, by banks, the number of shares of Federal Reserve bank stock canceled on applications submitted on the inclosed form."

Approved unanimously.

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Memorandum dated August 23, 1935, from Mr. Smead, Chief of the Division of Bank Operations, referring to the amendment to Section 9 of the Federal Reserve Act contained in the Banking Act of 1935, providing in part that reports of condition of State member banks of the Federal Reserve System rendered to their respective Federal reserve banks as of call dates fixed by the Board "shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe". The memorandum submitted a proposed form (105e) for the use of State member banks in preparing their reports of condition for publication, and stated that, in accordance with the provision of the amendment to Section 9 of the Federal Reserve Act referred to above, it was proposed to print the following proposed regulation governing the publication of condition reports on the reverse side of the form of publication (105e), and that such regulation in its present or a somewhat revised form would be printed in the Board's Regulation "H" when such regulation is reissued:

"Each report of condition made by a State bank member of the Federal Reserve System, which is required to be made to the Federal Reserve bank of its district as of call dates fixed by the Board of Governors of the Federal Reserve System, shall be published by such member bank within twenty days from the receipt of the call therefor.

"The report must be printed in a newspaper published in the place where the bank is located or, if there is no newspaper published in the place where the bank is located, then in a newspaper published in the same county and in general circulation in the place where the bank is located. By 'newspaper', for the purpose of this regulation, is meant a publication with a general circulation published not less frequently than once a week, one of the primary functions of

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"which is the dissemination of news of general interest.

"The copy of the report for the use of the printer should be prepared on the face side of form 105e. The published information must agree in every respect with that shown on the face side of the condition report rendered to the Federal Reserve Bank, except that any item for which no amount is reported may be omitted in the published statement. All signatures must be the same in the published statement as in the original report submitted to the Federal Reserve bank, but the signatures may be typewritten or otherwise copied on the report for publication.

"A copy of the printed report must be submitted to the Federal Reserve bank attached to the publisher's certificate on the reverse side of form 105e."

The memorandum stated also that if the Board approves the proposed form and regulation, a supply of the forms would be printed and furnished to the Federal reserve agents at all Federal reserve banks for use in connection with the next call for condition reports made upon State member banks by the Board. The memorandum stated further that a separate memorandum was being submitted with respect to the publication of reports of affiliates of State member banks.

The proposed form (105e) and the regulation, as submitted, were approved unanimously.

Memorandum dated August 23, 1935, from Mr. Smead, Chief of the Division of Bank Operations, referring to the amendments to Sections 9 and 21 of the Federal Reserve Act contained in the Banking Act of 1935, providing, respectively, that the reports of condition of State member banks shall be published by the reporting banks in such manner and in accordance with such regulations as the Board may prescribe, and that the Board may waive the submission of reports of affiliates of State member banks if such reports "are not necessary to disclose fully the

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"relations between affiliates and such bank and the effect thereof upon the affairs of such bank". The memorandum stated that in view of these amendments and of the fact that section 9 of the Federal Reserve Act requires the publication of reports of affiliates of State member banks under the same conditions as govern the publication of member banks' own condition reports it would be necessary to revise the instructions governing the submission and publication of reports of affiliates of State member banks and to prescribe conditions under which the submission of such reports may be waived. The memorandum submitted copies of revised Forms 220, Report of Affiliate; 220a, Publisher's Copy of Report of Affiliate; and 220b, Instructions Governing the Preparation of Reports of Affiliates, in the latter of which had been incorporated the following suggested provisions:

"Pursuant to Section 21 of the Federal Reserve Act, as amended (the applicable provisions of which are printed on the reverse side hereof), the Board of Governors of the Federal Reserve System waives the requirement for the submission of reports of affiliates (other than of holding company affiliates, as defined in section 2 (c) of the Banking Act of 1933, as amended, printed on the reverse side hereof) of State bank members of the Federal Reserve System, except:

- a. Where the affiliation exists by reason of control by the member bank as defined in Section 2(b)(1) of the Banking Act of 1933, as amended (printed on the reverse side hereof).
- b. Where the affiliate has been indebted to the member bank for more than six months in the twelve months preceding the report date in an amount in excess of 1 percent of the bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller, re-

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- ardless of whether the affiliate is so indebted on the report date.
- c. Where the affiliate on the report date is indebted to the member bank or the member bank owns obligations of or an interest in said affiliate on said date and the aggregate amount of such indebtedness, obligations, and interest is in excess of 1 percent of the member bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller.

"The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases where the affiliate relationship is based solely on ownership or control of any voting shares of the affiliate by a member bank as executor, administrator, trustee, receiver, agent, depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member banks.

"The above provisions with respect to the waiving of the requirements for submission of reports of affiliates are subject to change whenever deemed advisable by the Board of Governors of the Federal Reserve System in order to require the submission of reports which are necessary to disclose fully relations between member banks and their affiliates and the effect thereof upon the affairs of member banks."

The memorandum stated further that the above provisions represented tentative conclusions arrived at by representatives of the Comptroller's office and the Board and that as it was important that the conditions under which reports of affiliates are waived be the same for affiliates of national banks and State member banks, it was suggested that the action of the Board on the proposed changes in the forms be contingent upon substantially similar waiver provisions being adopted by the Comptroller of the Currency. There was also attached to the memorandum a copy of Schedule "O", Loans and Advances to Affiliates,

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on which certain information regarding each affiliate of the reporting bank would be reported regardless of whether or not the reports of the affiliates are waived, and the memorandum stated that the instructions governing the preparation of this schedule had been modified somewhat to comply with the provisions of the Banking Act of 1935.

The suggested changes in the forms, including the provisions waiving reports of affiliates, were approved unanimously with the understanding that the Comptroller of the Currency would adopt similar provisions relating to waiver of reports of affiliates of national banks.

Telegram dated August 27, 1935, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In case you have not already advised member banks in your district of the change brought about by provisions of Section 324 of the Banking Act of 1935 in method of computing net demand deposits on which reserves are required, you are requested, in advance of issuance of regulations by the Board, to promptly advise all such member banks substantially as follows: 'Under the provisions of Section 19 of the Federal Reserve Act, as amended by Section 324 of the Banking Act of 1935, member banks are required, beginning with August 24, 1935, to maintain the same reserves against deposits of public moneys by the United States as they are required to maintain against other deposits; also in determining the amount of net demand deposits subject to reserve, member banks may deduct from gross demand deposits the amounts of (1) balances subject to immediate withdrawal due from other banks (except Federal Reserve banks, private banks and foreign banks) and (2) cash items in process of collection payable immediately upon presentation in the United States. The reports

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"of deposits which you render to the Federal Reserve bank for the purpose of enabling the Federal Reserve bank to compute your required reserves should be prepared on the new basis."

"Please also revise Form B-15 inclosed with Board's letter B-881 of February 24, 1933, in the following manner and furnish a copy of the revised form to each member bank: Amend item 1 to read 'Gross demand deposits, including United States Government deposits and amounts due to banks' and eliminate the note now shown in parenthesis following item 1; eliminate present items 2, 3, and 4 and substitute a new item numbered 2 reading 'Balances subject to immediate withdrawal due from other banks (except Federal Reserve banks, private banks, and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States'; change item number 5 to number 3 and amend the item to read 'Net demand deposits subject to reserve (item 1 minus item 2)'; change item number 6 to read item number 4, and under 'Reserve required' change the reference from items 5 and 6 to items 3 and 4, respectively."

Approved unanimously.

Telegram to the Federal reserve agents at all Federal reserve banks reading as follows:

"Please instruct reporting member banks in reports on Form B-21 beginning August 28 to show 'Net demand deposits subject to reserve' in accordance with Section 324 of the Banking Act of 1935. See in this connection Board's telegram TRANS 2301. Upon receipt at your bank the reports should be examined to see that the figures so reported are approximately equal to excess of items PINN, PAWN, PUMA, PARA, PILK, POLL, PEON and PIKE over items PAIR, PONE and PUFF. In Board's weekly statement of condition of reporting member banks in leading cities, footnote will be appended to item 'Net demand deposits' reading as follows: 'Figures subsequent to August 23, 1935, include Government deposits'."

Approved unanimously.

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Letter dated August 27, 1935, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"You will recall that by letter dated April 14, 1933 (X-7411), addressed to the Governors of all Federal Reserve banks, the Board prescribed certain rules to be followed by the Federal Reserve banks in refraining in certain enumerated cases from the assessment of penalties against member banks for deficiencies in reserves. The Board will be pleased to consider any comments which you may care to submit with respect to the rules referred to or the specific classes of cases in which penalties need not be assessed. The Board will also be glad to receive your views as to the advisability of incorporating in Regulation D, which is now in process of revision, either a reference to such rules or an indication that in exceptional cases some relaxation of the provisions of the regulation may be possible."

Approved unanimously.

Telegram to Mr. Logan, General Counsel of the Federal Reserve Bank of New York, reading as follows:

"Referring your letter August 26 to Vest re summary of certain provisions of Title I and section by section summary of Titles II and III of Banking Act of 1935 sent to you under date of August 24, we see no objection to your sending copies of such summary to member and non-member banks in your district with understanding that you will not disclose fact that it was prepared in the offices of the Board and that you make it clear that it is intended merely as a summary of the law and not as an interpretation thereof or commentary thereon."

Approved unanimously.

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

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"There is inclosed a copy of a Handbook for Trust Examiners which has been prepared in the office of the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis. In the course of the preparation of the Handbook, suggestions and criticisms were obtained from each of the Federal Reserve banks and also from members of the Board's staff in order to develop the composite thought of the System based on its experience in examinations of trust departments.

"Also, as a step towards uniformity in trust department examination procedure and in order to develop as useful a Handbook as is practicable, copies of the Handbook are being furnished through the various Federal Reserve banks to the banking authorities of the various States for their information and for any suggestions and criticisms they may deem advisable. Copies are also being furnished to the chief national bank examiners of the various Federal Reserve districts for their information and for their suggestions and criticisms, and any suggestions and criticisms which the experience of your office indicates are desirable will be appreciated."

Approved unanimously, together with a letter to Mr. Henry E. Sargent, Secretary, Trust Division, American Bankers Association, New York, New York, reading as follows:

"As you know, the Board has been instrumental in the appointment of one or more trust examiners at each of the Federal Reserve banks and a conference of such examiners was held in Washington in September 1934 as a step towards coordination of trust department examination procedure, it being contemplated that similar conferences will be held periodically. Also, the Board last year prepared a standard form of examination report for use by examiners for the Federal Reserve banks in examinations of State member banks, including a section covering examinations of trust departments. At the time of the preparation of this standard form of examination report, the office of the Comptroller of the Currency revised the form of examination report used by national bank examiners, and the Federal Deposit Insurance Corporation was preparing its new form. The trust department sections of the three forms of report are practically identical, and it is understood that the standard

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"form of examination report prepared by the Board is being adopted in whole or in part by some State banking departments.

"In order to advance the coordination of trust department examination procedure, a Handbook for Trust Examiners has been prepared in the office of the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, and a copy of the Handbook is inclosed herewith. In the course of the preparation of the Handbook, suggestions and criticisms were obtained from each of the Federal Reserve banks and also from members of the Board's staff in order to develop the composite thought of the System based on its experience in examinations of trust departments.

"As a further step towards uniformity in trust department examination procedure and in order to develop as useful a Handbook as is practicable, copies of the Handbook are being furnished to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the banking authorities of the various States, and the chief national bank examiners of the various Federal Reserve districts for their information and for any suggestions and criticisms they may deem advisable. Any suggestions or criticisms which you may deem desirable will also be greatly appreciated.

"You will observe, of course, that it is not contemplated that the Handbook will be used by institutions exercising trust powers as a manual covering the administration of trusts, but that it is designed merely for the information and assistance of examiners in determining whether or not trust departments are being conducted in accordance with sound practices and for the assistance of examiners in obtaining a correction of any unsound practices. Accordingly, it is not contemplated that the Handbook will be distributed generally to institutions exercising trust powers, although there would be no objection to your obtaining the reaction of any trust officers of banks you may wish to consult."

Letter to Mr. Stevens, Chairman of the Federal Reserve Agents' Conference, Chicago, Illinois, reading as follows:

"Receipt is acknowledged of your letter of August 24, 1935, in regard to revising the pamphlet issued by the Federal reserve banks on the Federal Reserve System so as to include changes made necessary by the enactment of the Banking Act of 1935. You suggest that the same committee which you appointed as Chairman of the Federal Reserve Agents' Conference to draft the present edition of the pamphlet be requested to undertake such revision.

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"The Board appreciates your interest in the matter, and concurs in your suggestion, with the understanding that the revised draft will be submitted to it for approval before being forwarded to the reserve banks for printing and distribution. In this connection, it is assumed that the committee will take into consideration the suggestion contained in the Board's letter of October 31, 1934, that a further revision of the pamphlet might be written in a more attractive style."

Approved unanimously.

Memorandum dated August 20, 1935, approved by five members of the Board, from Mr. Vest, Assistant General Counsel, submitting two statements, one referring to the fact that the Federal Reserve Act is now being revised by the Board and will be ready for distribution in two or three months, and the other suggesting that requests for interpretations of the Banking Act of 1935 and of the regulations issued thereunder be submitted by member banks and others first to the Federal reserve agents and by them, if necessary, to the Board, and recommending that the statements, which are set out below, be published in the next issue of the Federal Reserve Bulletin:

"Reprinting of Federal Reserve Act

"The Board of Governors of the Federal Reserve System now has in the course of preparation a new edition of the Federal Reserve Act as amended by the Banking Act of 1935, with an appendix containing various provisions of certain other Acts of Congress which affect the Federal Reserve System. It is expected that the new edition, which will supersede and bring up to date a former edition published in 1933, will be available within the next two or three months."

"Requests for Interpretations of Banking Act of
1935 and Regulations Issued Thereunder

"The Board of Governors of the Federal Reserve System is now engaged in the revision of certain of its regulations in

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"the light of the provisions of the recently enacted Banking Act of 1935, and hopes to complete the revision of its regulations on a number of subjects affected by the Act at an early date. In order to simplify and expedite the handling of requests for interpretations of the Banking Act of 1935 and the regulations issued pursuant to the law as amended by the Act, it is requested that member banks and others desiring to obtain such interpretations make their requests in the form of letters addressed to the Federal Reserve Agents at the Federal Reserve banks of their respective districts and include in such letters complete statements of all material facts pertaining to the transactions giving rise to such requests.

"The Federal Reserve Agent will answer any such inquiry himself unless the matter is one which should be referred to the Board of Governors of the Federal Reserve System for consideration. If the inquiry is one which should receive the consideration of the Board of Governors, the Federal Reserve Agent will forward it to the Board. In forwarding any such inquiry, each Federal Reserve Agent will be expected to furnish to the Board all information necessary to enable the Board to answer the inquiry.

"It is believed that the procedure herein outlined will materially facilitate the promulgation of rulings involving the interpretations of the Federal Reserve Act as amended by the Banking Act of 1935 and of the Board's regulations."

Mr. Vest's memorandum also submitted a draft of a letter to the Federal reserve agents at all Federal reserve banks relating to the matter of requests for interpretations of the Banking Act of 1935 and of the regulations issued thereunder, reading as follows:

"The Board expects to include in the next number of the Federal Reserve Bulletin a suggestion that any requests for interpretations of the Federal Reserve Act, as amended by the Banking Act of 1935, and of the regulations of the Board which may be made by member banks and others be submitted by them to the Federal Reserve Agents. It will be recalled that a similar statement was included in the Federal Reserve Bulletin for December, 1933, at page 768, and it will be helpful in this connection if the officers of the Federal Reserve banks will encourage member banks and others, whenever opportunity presents itself, to submit such inquiries with respect to the law and the regulations to the Federal Reserve Agents rather than to the Board of Governors of the Federal Reserve System.

"As indicated in the statement in the 1933 Bulletin, it is expected that a Federal Reserve Agent will answer any such in-

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"quiry himself unless the matter is one which should be referred to the Board of Governors of the Federal Reserve System for consideration. In the latter event the Agent should forward the inquiry to the Board with all information necessary to enable the Board to answer it. In accord with the procedure regarding interpretations and rulings issued following the enactment of the Banking Act of 1933, the Board expects to furnish to all Federal Reserve banks copies of interpretations and rulings of general interest which it may issue under the law as amended by the Banking Act of 1935 or the regulations of the Board pursuant thereto."

The above letter to the Federal reserve agents and publication of the statements were approved unanimously.

Letter dated August 27, 1935, approved by five members of the Board, to Mr. Arno B. Cammerer, Director, National Park Service, reading as follows:

"This refers to the suggestion that the Board amend its invitation for bids for the demolition and removal of Temporary Building No. 5 in the manner set forth in an undated draft of such an amendment received by us from Mr. Nagle on August 23, 1935. There are sent you herewith mimeographed copies of a form of amendment which is based on your proposals and of a form of bid bond for use in this connection.

"If the amendment and bid bond now sent to you appear to be in satisfactory form, will you please take immediate steps to have the text of the amendment and form of bid bond mailed to all interested persons including those persons to whom the invitation for bids was mailed, and, in so far as possible, to have the text of the amendment published in the same newspapers and periodicals in which the advertisement of the invitation for bids appeared. If in any respect the form of amendment or bid bond is unsatisfactory, please advise us as soon as possible.

"You will note that the last paragraph of the amendment states that copies of 'Exhibit D', setting forth the required form of bid bond will be furnished on request at Room 1615, Navy Building.

"Your assistance in this matter is much appreciated."

Approved unanimously.

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Thereupon the meeting adjourned.

Robert Morill
Secretary.

Approved:

J. J. Thomas
Vice Chairman.