

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 4, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary

The Committee acted upon the following matters:

Telegrams from Messrs. Austin and Wood, Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, respectively, advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated September 3, 1935, from Mr. Van Fossen, Assistant Chief, Division of Bank Operations, submitting the resignations of Messrs. B. J. Finn, F. H. Jenkins and Oscar S. Stutler as part time employees on the night force of the Gold Settlement Fund in the Division of Bank Operations, and recommending that, inasmuch as these employees have been carried on the Board's rolls for emergency service and no occasion to call them has arisen for some time, the Board accept their resignations effective immediately.

Accepted.

Letter to the board of directors of the "Imlay City State Bank", Imlay City, Michigan, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership

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in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved unanimously.

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

"Receipt is acknowledged of Mr. Young's letter of August 26, 1935, regarding the capital reduction of 'The Grosvenor Savings Bank', Jonesville, Michigan.

"Mr. Young advises that, in the opinion of your office, the bank had made every reasonable effort to effect an increase of \$15,000 in capital stock by the sale of such stock to local individuals, but without success; and recommends, in view of the satisfactory asset condition of the bank, its competent management and the adequacy of its present ratio of capital to deposits, that no action be taken at this time affecting its membership in the System by reason of the reduction in capital due to the cancelation of stock on account of unpaid assessments.

"In view of the circumstances and the recommendation of your office, the Board will take no action at this time affecting the membership of The Grosvenor Savings Bank in the Federal Reserve System by reason of the reduction of its capital from \$50,000 to \$35,000. As stated in the Board's letter of May 31, 1935, however, it will be expected that the bank will maintain at all times a capital structure which is adequate in relation to its liabilities."

Approved unanimously.

Letter to Mr. G. H. Bangert, President, First National Bank, Kenmore, New York, reading as follows:

"Reference is made to your letter of July 10, 1935, regarding the question whether the regulation (Resolution No. 200) of the Banking Board of the State of New York prescribing a maximum rate of 2 per cent per annum which may be paid by State banks or trust companies on time or savings deposits after October 1, 1935, prevents your bank from paying a higher rate after that date on deposits of postal savings funds.

"As indicated in our letter of July 17, 1935, it appeared at one time that the Banking Act of 1935 might repeal certain provisions of section 24 of the Federal Reserve Act which

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"affect this question; but the Act as finally enacted did not repeal those provisions. In view of the provisions of section 24 of the Federal Reserve Act and of the resolution of the Banking Board, it is the opinion of the Board of Governors of the Federal Reserve System that the rate of interest accruing after October 1, 1935, and during the time the resolution is legally in effect, which a national bank or other member bank located in the State of New York may lawfully pay on time or savings deposits may not exceed the rate of 2 per cent per annum prescribed in the resolution. However, the Board of Governors will not object to payment of interest by a national bank at a rate greater than 2 per cent per annum in accordance with the terms of, and until the termination of, any contract existing on the date the bank received notice from the Federal Reserve Agent at the Federal Reserve Bank of New York of the limitation effective after October 1, 1935, provided such rate is otherwise in conformity with the provisions of Regulation Q and the contract is terminated as soon as possible under the terms thereof.

"The Board of Governors has been advised that the Banking Board of the State of New York has interpreted its Resolution No. 200 as applying to postal savings deposits as well as to other time and savings deposits; and, accordingly, it is the view of the Board that deposits of postal savings funds in member banks are subject to the reduced maximum rate of interest of 2 per cent per annum after October 1, 1935, to the same extent as other time and savings deposits. Of course, the question of whether or not postal savings funds will be permitted to continue on deposit with banks at the reduced maximum rate of 2 per cent per annum is not one within the jurisdiction of the Board, but would appear to be one for the consideration of the Board of Trustees of the Postal Savings System."

Approved unanimously, with the understanding that a copy of the foregoing letter would be sent to Mr. Eilenberger, Third Assistant Postmaster General.

Letter to Mr. Charles E. Terwilliger, President, The Wallkill National Bank, Wallkill, New York, reading as follows:

"Reference is made to your letter of July 9, 1935, regarding the question whether the regulation (Resolution No. 200) of the Banking Board of the State of New York prescribing a maximum rate of 2 per cent per annum which may be paid by State banks or trust companies on time or savings deposits after October 1, 1935, prevents your bank from paying a higher rate after that date on deposits of postal savings funds.

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"In view of the provisions of section 24 of the Federal Reserve Act and of the resolution of the Banking Board, it is the opinion of the Board of Governors of the Federal Reserve System that the rate of interest accruing after October 1, 1935, and during the time the resolution is legally in effect, which a national bank or other member bank located in the State of New York may lawfully pay on time or savings deposits may not exceed the rate of 2 per cent per annum prescribed in the resolution. However, the Board of Governors will not object to payment of interest by a national bank at a rate greater than 2 per cent per annum in accordance with the terms of, and until the termination of, any contract existing on the date the bank received notice from the Federal Reserve Agent at the Federal Reserve Bank of New York of the limitation effective after October 1, 1935, provided such rate is otherwise in conformity with the provisions of Regulation Q and the contract is terminated as soon as possible under the terms thereof.

"The Board of Governors has been advised that the Banking Board of the State of New York has interpreted its Resolution No. 200 as applying to postal savings deposits as well as to other time and savings deposits; and, accordingly, it is the view of the Board that deposits of postal savings funds in member banks are subject to the reduced maximum rate of interest of 2 per cent per annum after October 1, 1935, to the same extent as other time and savings deposits."

Approved unanimously, together with a similar letter to Mr. O'Connor, Comptroller of the Currency.

Letter to Mr. E. E. Anthony, Vice President of The First Farmers & Merchants National Bank, Troy, Alabama, reading as follows:

"This refers to your letter of August 24, 1935, regarding the possibility of the Board of Governors of the Federal Reserve System determining that certain companies are no longer affiliates of your bank so that your bank may make loans to those companies without regard to the collateral requirements which apply to loans by member banks to their affiliates.

"Section 23A of the Federal Reserve Act requires that loans by member banks to their affiliates or holding company affiliates be secured in a certain manner; and section 301 of the Banking Act of 1935 authorizes the Board of Governors of the Federal Reserve System to determine for certain purposes that certain organizations are not holding

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"company affiliates of member banks. The provision granting this authority to the Board is in the form of the following new paragraph which is added to section 2(c) of the Banking Act of 1933:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

"It will be noted, however, that this new provision applies only to holding company affiliates and not to affiliates, and also that section 23A of the Federal Reserve Act is expressly excepted from its operation. Therefore, the Board of Governors of the Federal Reserve System is not authorized to make any determination which would permit your bank to disregard the requirements of section 23A of the Federal Reserve Act in making loans to the affiliates mentioned in your letter.

"For your further information and consideration there is inclosed a copy of section 23A of the Federal Reserve Act, as amended by the Banking Act of 1935."

Approved unanimously.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"In Mr. Sonne's letter of July 31, 1935, the Board's attention is called to the fact that the published report as of June 29, 1935, of the Hollister Land Company, an affiliate of the Twin Falls Bank & Trust Company, Twin Falls, Idaho, omits several items required to be included in the report, and Mr. Sonne states that the omission has been brought to the member bank's attention. It is also noted that in the published report of the Valima Securities Corporation, an affiliate of the Yakima Valley Bank & Trust Company, Yakima, Washington, several items are omitted.

"The Board at this time will not require republication of these reports in corrected form, but reports submitted and published by the member banks in future should contain all the items called for.

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"It appears that Schedule O as of June 29 has not been received from the following named member banks in your district: First Security Bank of Boise, Boise, Idaho, Bank of Orofino, Orofino, Idaho, and the Bank of Spanish Fork, Spanish Fork, Utah. It is requested that each of these banks be asked to submit a report on Schedule O as of June 29 if it has not already done so."

Approved unanimously.

Telegram to Mr. Stewart, Assistant Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Referring your letter August 29, there is no objection to having Federal Reserve Agent or Assistant Federal Reserve Agent sign certificate on reverse side of temporary form 60, but it is believed that word 'refund' should be retained even if, in a particular case, it should be found desirable to revise the certificate in the light of circumstances involved. It has been noted that conclusions of joint conference referred to in your letter had to do with stock held by failed banks, and, without attempting at this time to determine whether or not such conclusions should be applied to going banks, it would seem that the question you raise would rarely, if ever, occur in connection with going banks. If any such case should arise and your counsel, in light of conclusions of conference referred to, deemed a ruling by the Board desirable, it would be glad to furnish ruling upon advice as to facts involved in particular case. Any applications on old form 60 received in response to your letter of August 27 may be handled in manner outlined in Board's letter (X-9297) by substituting the certificate on temporary form 60 with the change of signature referred to above if deemed desirable for the two certificates printed on reverse side of old form 60."

Approved unanimously.

Letter dated September 3, 1935, approved by three members of the Board, to Mr. C. J. Guthridge, Chief, Division of Government Space Control, National Park Service, Washington, D. C., reading as follows:

"Reference is made to my letter of August 12 in which I advised you that invitations for bids for the demolition and removal of Temporary Building No. 5 located on the site of the new building for the Board of Governors of the Federal

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"Reserve System had been published and mailed and sent you a set of copies of the invitation and other papers connected therewith. In this connection I transmit herewith certain amendments which were published and mailed in the same manner as in the case of the original invitation.

"I attended the opening of the bids today at 1615 Navy Building. There were three bids, one for \$2,575, one for \$7,897 and one for \$18,358. You will no doubt recall that under the terms of the invitation action upon the bids must be taken by the Board within thirty calendar days after the opening of the bids. I am sure that you appreciate the fact that the building must be vacated promptly so that the Board may not be delayed in having the building demolished and removed and proceeding with the subsequent steps in the construction of its new building. For the information of the Board, therefore, I will be glad if you will advise me as to the present status of the arrangements with a view to the removal of the Federal Trade Commission as I understand that steps have already been taken or are in process of being taken to terminate all other occupancy of the building."

Approved unanimously.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"The information which has been submitted in connection with the Clayton Act application of Mr. A. P. Giannini indicates that he is serving as a director of The National City Bank of New York, as director of City Bank Farmers Trust Company, both of New York, New York, and as officer and director of Bank of America National Trust and Savings Association, San Francisco, California; and that he is also Honorary Chairman of the Banca d'America e d'Italia, Milan, Italy.

"In view of the fact that all of the stock of City Bank Farmers Trust Company, except directors' qualifying shares, is held by trustees for the benefit of the shareholders of The National City Bank of New York, in view of the location of the San Francisco bank, and in view of the fact that the bank in Milan is not organized under the National Bank Act or organized under the laws of any State or of the District of Columbia, it appears that Mr. Giannini's relationships are not prohibited by the provisions of section 8 of the Clayton Act as amended by the Banking Act of 1935.

"It is suggested that you advise Mr. Giannini accordingly."

Approved unanimously.

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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. 2.</u>		
The National Bank of New Jersey New Brunswick, New Jersey	2	
National Spraker Bank in Canajoharie, Canajoharie, New York	3	
Fairport National Bank and Trust Company, Fairport, New York	<u>18</u>	23
<u>District No. 5.</u>		
The Silver Spring National Bank, Silver Spring, Maryland	102	
The Page Valley National Bank of Luray, Luray, Virginia	<u>2</u>	104
<u>District No. 9.</u>		
The First National Bank of Winona, Winona, Minnesota	6	6
<u>District No. 10.</u>		
The Alamosa National Bank, Alamosa, Colorado	1	
The First National Bank of Anthony, Anthony, Kansas	1	
The First National Bank of Elk City, Elk City, Kansas	2	
Security National Bank of Kansas City, Kansas City, Kansas	9	
First National Bank at Oswego, Oswego, Kansas	3	
The First National Bank of Jasper, Jasper, Missouri	1	
The Inter-State National Bank of Kansas City, Kansas City, Missouri	15	
Traders Gate City National Bank of Kansas City, Kansas City, Missouri	8	
Union National Bank in Kansas City, Kansas City, Missouri	4	
Alliance National Bank, Alliance, Nebraska	30	
The Commercial National Bank of Grand Island, Grand Island, Nebraska	3	
The First National Bank of Tekamah, Tekamah, Nebraska	3	

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 10. (Continued)</u>		
The First National Bank of Farmington, Farmington, New Mexico	3	
The First National Bank in Ada, Ada, Oklahoma	3	
The Alfalfa County National Bank of Cherokee, Cherokee, Oklahoma	1	
The Farmers and Merchants National Bank of Hobart, Hobart, Oklahoma	1	
The First National Bank in Marlow, Marlow, Oklahoma	1	
National Bank of Commerce in Pawhuska, Pawhuska, Oklahoma	6	
The First National Bank at Ponca City, Ponca City, Oklahoma	6	
The Fourth National Bank of Tulsa, Tulsa, Oklahoma	6	
The Casper National Bank, Casper, Wyoming	1	
The Citizens National Bank of Torrington, Torrington, Wyoming	2	
The Omaha National Bank, Omaha, Nebraska	3	
First St. Joseph Stockyards Bank, South St. Joseph, Missouri	7	
Harlan County Bank, Alma, Nebraska	1	
Stromsburg Bank, Stromsburg, Nebraska	3	
Wahoo State Bank, Wahoo, Nebraska	<u>3</u>	127
<u>District No. 12.</u>		
First National Bank in Merced, Merced, California	1	
The First National Bank of Pleasanton, Pleasanton, California	1	
The Ely National Bank, Ely, Nevada	1	3
	<u>Total</u>	<u>263</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
The First National Bank of South River, South River, New Jersey	24	
The Northern Valley National Bank of Tenafly, Tenafly, New Jersey	30	

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<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 2. (Continued)</u>		
The First National Bank of Edmeston, Edmeston, New York	<u>2</u>	56
<u>District No. 3.</u>		
The Moxham National Bank of Johnstown, Johnstown, Pennsylvania	6	6
<u>District No. 7.</u>		
The Grundy County National Bank, Morris, Illinois	91	91
<u>District No. 8.</u>		
The First National Bank of Oblong, Oblong, Illinois	6	6
<u>District No. 10.</u>		
The First National Bank of Glenwood Springs, Glenwood Springs, Colorado	39	
The First National Bank of Omaha, Omaha, Nebraska	<u>30</u>	69
<u>District No. 12.</u>		
The First National Bank of Corona, Corona, California	10	
The First National Bank of Newberg, Newberg, Oregon	<u>41</u>	<u>51</u>
	<u>Total</u>	279

Approved unanimously.

Thereupon the meeting adjourned.

Wesley M. Mowbray
Secretary.

Approved:

J. J. Thomas
Vice Chairman.