

A meeting of the Executive Committee (interim) of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 9, 1935, at 11:30 a. m.

PRESENT: Mr. Thomas, Vice Chairman
Mr. James

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary

The Committee acted on the following matters:

Telegram from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment by that bank without change today of the rates of discount and purchase in its existing schedule.

Without objection, noted with approval.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to the "First Bank Stock Corporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls of "The Security National Bank of Huron", Huron, South Dakota, at any time prior to January 1, 1936, to act upon a proposal to change the name of The Security National Bank of Huron, Huron, South Dakota, provided that such change of name shall be approved by the Comptroller of the Currency.

Approved unanimously.

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

"This refers to Mr. Gidney's letter of August 27, 1935, in which it was recommended that the Board grant the request of The Chase Bank, New York City, a corporation organized under section 25(a) of the Federal Reserve Act, for permission to undertake certain activities in

9/9/35

-2-

"carrying out a plan which would make it easier for the French public to invest and deal in the stock of certain American corporations.

"In the consideration of the bank's request in the light of the information which has been presented a number of questions have arisen, including the question whether section 21 of the Banking Act of 1933, as amended, is applicable to this case. This section makes it unlawful for any corporation which is engaged in the business of issuing securities to engage at the same time in the business of receiving deposits. Inasmuch as violations of this section are subject to a criminal penalty, its administration is within the jurisdiction of the Department of Justice and the Board would not ordinarily undertake to express a view as to its applicability in any situation. Nevertheless, the Board does not feel that it should grant permission to The Chase Bank to engage in activities of such a character that they might reasonably be regarded as constituting a violation of a criminal statute.

"Consideration has also been given to the possible applicability of section 32 of the Banking Act of 1933, as amended, inasmuch as The Chase Bank and the Chase National Bank have common directors. This question would seem to depend in part upon the extent to which The Chase Bank might engage in business of the kind proposed if permitted by the Board. Similarly, it may be considered that a question as to the applicability of section 20 of the Banking Act of 1933 might arise, but it is understood that The Chase Bank would not, at least in the near future, be engaged principally in business of the kind for which permission has been requested.

"These and other questions relating to this matter are now being studied and, in view of the fact that it does not appear that the questions mentioned have had the attention of The Chase Bank, the Board wishes to afford the bank an opportunity to submit any comments which it may desire in these respects before reaching a conclusion in this matter. You are requested to notify the bank accordingly and to forward to the Board any comments which the bank may see fit to submit in this connection."

Approved unanimously.

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

"Retel September 6: Your interpretation of our August 28 telegram, that Group 1 will consist of banks with capital

9/9/35

-3-

"and surplus of \$1,000,000 and over, Group 2 with capital and surplus over \$150,000 and less than \$1,000,000, and Group 3 of capital and surplus of \$150,000 and less, is correct."

Approved unanimously.

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

"Under the terms of an amendment to Section 21 of the Federal Reserve Act the Board of Governors of the Federal Reserve System and the Comptroller of the Currency are authorized to waive the requirement for the submission of reports of affiliates of State member banks and National banks, respectively, where such reports are not necessary to disclose fully the relations between the bank and the affiliate and the effect thereof upon the affairs of the bank. Pursuant to this authorization the Board has adopted the following terms of waiver.

"Pursuant to Section 21 of the Federal Reserve Act, as amended, 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) 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, which provision reads as follows:

'Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization—

'Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions.'

9/9/35

-4-

- "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, regardless 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 foregoing terms of waiver do not apply to reports of holding company affiliates, which, under the terms of the law, must in all cases be submitted, as the term 'holding company affiliate', under Section 2 (c) of the Banking Act of 1933, as amended by Section 301 of the Banking Act of 1935, does not include organizations which have been 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, reports of such organizations, of course, do not have to be submitted.

"The above terms will be set forth in the printed instructions which will go out at the time of the next call

9/9/35

-5-

"for reports of State member banks and their affiliates. In the meantime, it is suggested that you inform the State member banks in your district of the terms of waiver. The Comptroller of the Currency is advising all National banks to the same effect."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Moulton
Secretary.

Approved:

W. Thomas
Vice Chairman.