

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 13, 1935, at 2:30 p. m.

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

Mr. Bethea, Assistant Secretary

The Committee acted on the following matters:

Letter dated September 12, 1935, from Mr. Kimball, Assistant Secretary of the Federal Reserve Bank of New York, advising of the establishment by that bank without change on that date of the rates of discount and purchase in its existing schedule.

Without objection, noted with approval.

Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram. Board approves for your bank rate of $2\frac{1}{2}\%$ per annum on advances to member banks under section 10(b) of Federal Reserve Act as amended by Banking Act of 1935, effective September 14, and notes with approval the establishment without change of the other rates of discount and purchase in effect at your bank."

Approved unanimously.

Memorandum dated September 11, 1935, from Mr. Van Fossen, Assistant Chief, Division of Bank Operations, recommending that Mrs. Emma L. Chapin, a statistical clerk in the Division, be granted a further leave of absence on account of illness for a period of thirty days from September 3, 1935.

Approved unanimously.

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

"Receipt is acknowledged of your letter of September 10, 1935, and, in accordance with the request contained therein, the Board approves the appointment of Mr. R. Henry Smart as assistant examiner in the Federal Reserve Agent's department of your bank."

Approved unanimously.

Letter to the board of directors of the "Citizens Trust and Savings Bank of South Bend, Indiana", South Bend, Indiana, advising that, subject to the conditions 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 to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, stating that, effective if and when the appropriate authorities of the State of New Mexico have authorized the "American Bank of Carlsbad", Carlsbad, New Mexico, to commence business with a paid-in capital and surplus of \$50,000 and \$10,000, respectively, and subject to the conditions prescribed in the telegram, the Board approves the application of the American Bank of Carlsbad for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas. The telegram also stated that if the bank purchases certain assets and assumes the deposit liabilities of The First National Bank of Carrizozo, as is

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contemplated, the Federal reserve agent should satisfy himself that all agreements and contracts entered into between the two institutions have been completed and counsel for the Federal Reserve Bank of Dallas should be satisfied with the legal aspects involved; and that, if, prior to admission to membership, the bank purchases a banking house and furniture and fixtures, the agent should advise the bank of the Board's views, which are known to his office, regarding adequate provision for depreciation in such assets.

Approved unanimously.

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

"Reference is made to Mr. Swanson's letter of August 26, 1935, transmitting the report of examination of 'The Commercial Bank of Iron Mountain', Iron Mountain, Michigan, as of July 22, 1935.

"According to the report of examination, the bank had capital stock of \$200,000 and no surplus, and carried \$37,500 par value Iron Mountain Gas Corporation bonds in its investment securities at \$34,925. Mr. Swanson has advised that the bonds were purchased by the bank prior to June 16, 1933, at which time the holdings were within the statutory limits prescribed by State law, and has inquired as to whether, in view of the circumstances, the holdings constitute a violation of the provisions of the Federal Reserve Act.

"The provisions of section 5 (c) of the Banking Act of 1933 extending to State member banks the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under section 5136 of the Revised Statutes are not retroactive. Mr. Swanson's assumption is correct, therefore, that the securities are not held in violation of the provisions of the Federal Reserve Act. Whether or not the holdings of the bonds in question are in violation of State law is a matter of fact for your determination, and if the bonds are held in violation of State law, it is expected that steps

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"will be taken to eliminate the violation.

"The report of examination indicates that the bank is operating an insurance department with assets of approximately \$96,000, liabilities of approximately \$8,000 consisting of accounts payable to various insurance companies, and undivided profits of approximately \$88,000. If the insurance department is a part of the bank and not a separate entity, the assets and liabilities reflected on the books of the department are assets and liabilities of the bank and should be shown as such in its statement of condition. It will be appreciated, therefore, if you will determine whether the assets and liabilities of the insurance agency are assets and liabilities of the bank, and, if so, request that they be properly shown in the bank's statement of condition."

Approved unanimously.

Letter to "The Community Bank", Napoleon, Ohio, reading as follows:

"The attached certificate of membership in the Federal Reserve System, which was issued by the Board at the time The Napoleon State Bank was admitted to the System in 1920, was forwarded along with other documents to the Board in connection with the bank's contemplated withdrawal from membership in the System. However, the action taken by the directors with respect to possible withdrawal has now been rescinded and proper evidence of such action has been received by the Board. The certificate of membership was not required to be forwarded to the Board in connection with the bank's notice of intention to withdraw and such certificate is a part of the records of the bank rather than of the records of the Board. Accordingly, the certificate of membership is returned herewith.

"In view of the fact that the name of The Napoleon State Bank was changed in connection with its reorganization, the Board will be glad to execute a certificate in the new name of the bank if you should so desire. In any event, however, the attached certificate should be retained as a part of the bank's permanent records."

Approved unanimously.

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

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"This refers to your letter of September 9, 1935, inclosing a copy of a bill in the amount of \$2,542.12 from the firm of Baker, Hostetler, Sidlo and Patterson, of Cleveland, Ohio.

"In your letter of March 19, 1935, you advised the Board that the directors of your bank had decided that it was advisable to consult Mr. Newton D. Baker with regard to certain legal questions in reference to the return of old form gold certificates in accordance with the request of the Treasury Department, and in the Board's letter of March 23, 1935, it was stated that the Board offered no objection to the employment of Mr. Baker for the purposes mentioned upon condition that the matter be again submitted to the Board before the payment of or agreement to pay any fee to Mr. Baker in excess of \$1,000.

"It is noted that the bill inclosed with your recent letter has been approved by the executive committee of your bank and you are advised that the Board of Governors approves payment of the bill in the amount of \$2,542.12 covering the services of Mr. Baker in connection with the matter above mentioned."

Approved unanimously.

There were then presented the following applications for

changes in stock of Federal Reserve banks:

Applications for ORIGINAL Stock:

District No. 3.

The Hanover National Bank of Wilkes-Barre,
Wilkes-Barre, Pennsylvania

Shares

393

393

Applications for ADDITIONAL Stock:

District No. 2.

The First National Bank of High Bridge,
High Bridge, New Jersey
Peoples Trust Company of Bergen County,
Hackensack, New Jersey

15

150

165

District No. 4.

Security-Peoples Trust Company,
Erie, Pennsylvania

90

90

District No. 7.

The Second National Bank of Monmouth,
Monmouth, Illinois
The National Bank of Bay City,
Bay City, Michigan

15

12

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 11.</u>		
Security State Bank and Trust Company of Beaumont, Beaumont, Texas		1
Union State Bank, East Bernard, Texas		1
Citizens State Bank & Trust Company, Goose Creek, Texas		9
Citizens State Bank of Greenville, Texas, Greenville, Texas		1
Security State Bank, Pearsall, Texas		1
First State Bank, Spearman, Texas		1
The First National Bank of Las Cruces, Las Cruces, New Mexico		4
The First National Bank of Santa Rosa, Santa Rosa, New Mexico		2
The First-American National Bank in Tucumcari, Tucumcari, New Mexico		3
First National Bank in Burkburnett, Burkburnett, Texas		6
First National Bank in Cameron, Cameron, Texas		1
State National Bank in Comanche, Comanche, Texas		3
Citizens National Bank in Ennis, Ennis, Texas		3
First National Bank, Graford, Graford, Texas		1
First National Bank in Groveton, Groveton, Texas		1
First National Bank in Houston, Houston, Texas		30
The State National Bank of Houston, Houston, Texas		3
The State National Bank of Lovelady, Lovelady, Texas		1
First National Bank at Lubbock, Lubbock, Texas		3
Central National Bank of McKinney, McKinney, Texas		1
The First National Bank of Newton, Newton, Texas		3
The First National Bank of Post, Post, Texas		1
The First National Bank of Rotan, Rotan, Texas		1
	Total	81 363

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
Farmers National Bank of Sardinia, Sardinia, Ohio	24	24
<u>District No. 7.</u>		
The First National Bank of Harvey, Harvey, Iowa	21	21
<u>District No. 9.</u>		
The First National Bank of Belle Plaine, Belle Plaine, Minnesota	24	24
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	Total	69

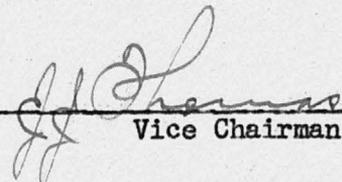
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.