

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 14, 1935, at 11:30 a. m.

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

Mr. Bethea, Assistant Secretary

The Committee acted on the following matters:

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

"With reference to the request contained in Mr. Roelse's letter of September 9, 1935, the Board approves the filling of the vacancy caused by the resignation as of September 15 of Mrs. Adele L. Scholl, the only stenographer in the Tabulation Division of the Reports Department."

Approved unanimously.

Letter to Mr. William R. White, Deputy Superintendent of the State of New York Banking Department, reading as follows:

"This refers to your letter of September 10, 1935, with further reference to the rate of interest payable on deposits of Postal Savings funds by member banks of the Federal Reserve System. You state that in inquiring as to whether the Board of Governors might not prescribe 2 per cent per annum as the maximum interest rate payable by member banks in New York upon deposits of Postal Savings funds, you had in mind that such a regulation would be controlling not only from the viewpoint of the banks but also from the viewpoint of the trustees of the Postal Savings System.

"In view of the provision of section 19 of the Federal Reserve Act requiring the Board of Governors to limit by regulation the rate of interest payable by member banks on time and savings deposits and in view of the portion of section 341 of the Banking Act of 1935 quoted in the Board's letter to you of September 7, it is the view of the Board of Governors that its regulation as to the maximum rate of interest is controlling

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"not only from the viewpoint of the member banks as to interest which may be paid but also from the viewpoint of depositors as to interest which may be obtained from a member bank, and that no member bank may pay interest at a rate in excess of that permitted in accordance with the provisions of the regulation. In this respect, Postal Savings funds on deposit in a member bank are like other time deposits and a member bank may not pay interest on such deposits at a rate greater than that which is permissible in accordance with the provisions of the regulation. The Board of Governors is not authorized to require that any deposit be made or permitted to continue in a member bank, but if funds are deposited or permitted to continue on deposit in such a bank, they are subject to the provisions of the Board's regulation.

"In other words, it is the view of the Board of Governors that it is authorized to prescribe regulations under which Postal Savings funds may be deposited on time in member banks and has prescribed such regulations, but that it has no authority to provide therein that Postal Savings funds shall be deposited on time in member banks pursuant to such regulations."

Approved unanimously.

Letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, previously approved by the Board on September 6, 1935, in the form in which it was forwarded to the Comptroller of the Currency for his concurrence in the views expressed in such draft, amended to include the Comptroller's views, and reading as follows:

"Mr. Hill's telegram of September 3, 1935, asks whether State banking authorities are authorized to examine the books, records, and assets of the trust departments of national banks which possess fiduciary powers in view of the amendment to the third paragraph of section 11(k) of the Federal Reserve Act made by section 342 of the Banking Act of 1935.

"Prior to the enactment of the Banking Act of 1935, the paragraph in question provided that the books and records of national banks relating to their fiduciary business should be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State

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"law which exercise fiduciary powers, but the provision of section 11(k) relating to this matter has been amended to provide as follows:

'The State banking authorities may have access to reports of examination made by the Comptroller of the Currency insofar as such reports relate to the trust department of such bank, but nothing in this Act shall be construed as authorizing the State banking authorities to examine the books, records, and assets of such bank.'

"In the circumstances, it is clear that State banking authorities are not authorized to examine the books, records, and assets of the trust departments of national banks which possess fiduciary powers; although the State banking authorities are given access to reports of examination made by the Comptroller of the Currency in so far as such reports relate to the trust departments of national banks. In this connection, there is inclosed a copy of a circular dated September 6, 1935, which has been sent by the office of the Comptroller to each national bank and to the Banking Department of each State."

Approved unanimously.

Letter dated September 13, 1935, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of August 10, 1935, regarding the classification of depreciation in securities in the reports of your examination of State member banks.

"It is understood that in your district both the State and national authorities classify depreciation in defaulted bonds as estimated losses, although appreciation in other bonds may be sufficient to offset the depreciation in defaulted bonds and the security account as a whole show a net appreciation. It has been noted that you feel that support should be given the State authorities in their efforts towards encouraging the reduction in the carrying value of defaulted bonds to market values and that you propose, if it meets with the Board's approval, to cooperate with the State authorities and classify depreciation in defaulted bonds as estimated loss regardless of any appreciation in other securities.

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"Of course, the Board feels that it is desirable that you cooperate with the State banking authorities in obtaining corrections in State member banks. Therefore, it is the view of the Board that, in any case where the requirements for corrections by the State banking authorities extend beyond those ordinarily contemplated by the Board's instructions, such requirements of the State banking authorities should be complied with and the Federal Reserve Agents should be of all possible assistance to the State authorities in obtaining compliance. However, as you know, the Board has laid down uniform instructions with regard to the classification of depreciation in securities for the guidance of all of the Federal Reserve Agents and for uniform application to all State member banks alike, and it would not seem desirable for a different classification to be given to such depreciation in one district than is given thereto in the other districts. It is accordingly requested that, in your examinations of State member banks, you classify depreciation in defaulted bonds in accordance with the general instructions heretofore outlined in the Board's letters (X-7705-a and X-7848-a).

"It is assumed that you will advise the State banking authorities in your district of the Board's views as stated herein, and in connection with such advice will give assurances that you desire to take such steps as you properly can to strengthen the hand of the State banking authorities in obtaining corrections in State member banks which any of such authorities may deem desirable."

Approved unanimously.

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. 025421, 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 Minneapolis 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, effective as of the opening of business on September 18, 1935, of a forty-speed tape teletype service, with non-fraction type machines, between Minneapolis and Chicago on a nine hour schedule from 8:30 a. m. to 5:30 p. m., Central Standard Time, daily except Sundays.

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"The contract rate on the present Morse circuit between Chicago and Minneapolis is \$800 a month. Your Mr. Rumford advises that the line rate on the new teletype circuit, on the basis of a nine hour schedule, daily except Sundays, will be \$717.50 a month, and that the monthly charge on the teletype machines used will be \$37.50 each for machines in regular use and \$15.00 each for spare machines.

"Mr. Rumford has advised that the teletype circuit can be installed as of the opening of business on September 18, 1935, and it will be appreciated if you will arrange to have the circuit installed as of that date. 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 unanimously.

Letter to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"On August 23, 1935, the date of the enactment of the Banking Act of 1935, there was pending before the Board the application of Mr. T. W. Friend under the Clayton Act for a permit to serve as a director and officer of the National Bank of America in Pittsburgh, Pittsburgh, Pennsylvania, as director and officer of The First National Bank at McKees Rocks, and as director and officer of Chartiers Trust Company, both of McKees Rocks, Pennsylvania. This application had not been acted upon by the Board.

"Previously, on February 15, 1935, the Board had granted Mr. Friend a permit to serve, for the period ending January 14, 1936, as director and officer of the first two banks named above.

"A resolution of the Board adopted on September 12, 1935, a copy of which is inclosed, granted permission pursuant to the authority conferred on it by the provisions of the first paragraph of section 8 of the Clayton Act as amended by section 329 of the Banking Act of 1935, to any person who on August 23, 1935 had an application for permission to serve two or more banks pending before the Board on which the Board had taken no action, to serve as director, officer, or employee of any member bank named in such application and of any other one bank named in such application, in addition to any service otherwise lawful under the Clayton Act, until the adoption of general regulations under the Clayton Act by the Board, or until March 1, 1936, whichever is the earlier.

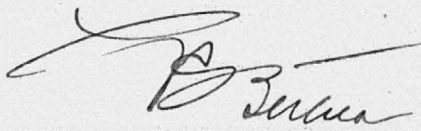
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"In view of the fact that Mr. Friend, on the date of the enactment of the Banking Act of 1935, had a permit covering his services with the National Bank of America in Pittsburgh and The First National Bank at McKees Rocks, his relationships with these banks are otherwise lawful under the Clayton Act until February 1, 1939. Accordingly, the effect of the Board's resolution in this case is to permit Mr. Friend to serve, also, as director and officer of Chartiers Trust Company until the adoption of general regulations under the Clayton Act by the Board or until March 1, 1936, whichever is the earlier. Please advise Mr. Friend accordingly."

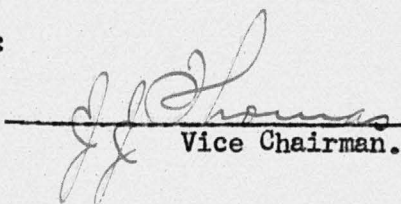
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:


Vice Chairman.