

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 18, 1935, at 11:30 a. m.

PRESENT: Mr. Hamlin
Mr. James
Mr. Szymczak

Mr. Bethea, Assistant Secretary

The Committee acted on the following matters:

Telegrams from Messrs. Austin and Wood, Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, respectively, both advising of the establishment without change by their banks today of the rates of discount and purchase in their existing schedules.

Without objection, noted with approval.

Letter to the "Mercantile National Bank at Dallas", Dallas, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. E. E. McAdams, Executive Secretary, League of

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Texas Municipalities, Austin, Texas, reading as follows:

"This refers to your letter dated August 15, 1935, addressed to Governor Eccles, in which you request a definite ruling upon the question whether member banks of the Federal Reserve System may pay interest on deposits of funds of Texas municipalities which are payable on demand. Among the inclosures in your letter was a copy of an opinion by the Counsel for the Banking Commissioner of the State of Texas to the effect that the provisions of Article 2559 of the Revised Civil Statutes of Texas of 1925 require the payment of interest upon deposits of funds of Texas municipalities which are payable on demand.

"Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1935, prohibits the payment of interest by member banks of the Federal Reserve System on deposits which are payable on demand, but provides that until August 23, 1937 such prohibition shall not apply to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, if the payment of interest with respect to such deposit of public funds 'is required by State law'. The question presented by your letter, therefore, is whether the payment of interest upon the funds in question 'is required by State law' within the meaning of section 19 of the Federal Reserve Act.

"Although the Board believes that it should give the most careful consideration to the opinion of the Counsel for the Texas Banking Commissioner on this subject, it feels that, since the matter is one which is governed by the Federal Statutes and relates to the payment of interest by member banks of the Federal Reserve System, the ultimate determination of the question should be made by the Board. On several previous occasions the Board has expressed the view that Articles 2559 and 2560 of the Revised Civil Statutes of 1925 do not require the payment of interest, within the meaning of section 19 of the Federal Reserve Act, on deposits of funds of municipalities which are payable on demand.

"Under Article 2559 of the Revised Civil Statutes the governing body of every city, town and village in the State of Texas is authorized to receive sealed proposals for the custody of city funds from any bank or banker that may desire to be selected as a depository, and it is provided therein that any bank or banker desiring to bid shall deliver to the City Secretary within a certain period after notice that bids will be received a sealed proposal stating the rate per cent upon daily balances that such bidder 'offers' to pay to the city, town or village for the privilege of being made depository of its funds.

"Article 2560 of such statutes provides that the governing body shall select as a depository of such funds the bank or banker offering to pay the largest amount for such privilege, but the governing body is specifically given the right to reject

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"any and all bids and to readvertise for new proposals. It does not appear, however, that the governing body of a city is required to deposit its funds in accordance with such procedure, and circumstances might arise in which it would be permissible for the governing body to deposit such funds in banking institutions without interest.

"While Article 2559 of the Texas Statutes appears to authorize a city to receive proposals from banks stating the rate which will be paid on daily balances of city funds, it appears that the procedure prescribed therein is not mandatory as it is understood that it has not been uniformly followed by all cities in the State of Texas.

"In view of the foregoing and of the general rule that an exception to a statutory provision should be strictly construed, the Board is of the opinion that the payment of interest with respect to deposits of funds of Texas municipalities made in accordance with the procedure set forth in Articles 2559 and 2560 of the Revised Civil Statutes of 1925 is not 'required by State law' within the meaning of section 19 of the Federal Reserve Act and that, accordingly, a member bank may not lawfully pay interest on such deposits which are payable on demand."

Approved unanimously.

Telegram to the Federal reserve agents at all Federal reserve banks, prepared pursuant to the action taken at the meeting of the Board on September 17, 1935, and reading as follows:

"Board authorizes you to furnish to anyone requesting them copies of tentative drafts of any of the proposed regulations which have been or may be prepared to conform to the changes made in the law by the Banking Act of 1935 and sent to you for consideration and comment upon condition, however, that you place upon the face of each copy of any such regulation released a statement that it is merely a tentative draft of regulation prepared at direction of Board of Governors of the Federal Reserve System but not yet acted upon by the Board of Governors. Any letters or drafts of letters attached to such regulations should, of course, be detached before the regulations are released."

Approved unanimously.

Letter to Mr. Edmund Platt, Vice-President, Marine Midland Group, Inc., New York, New York, prepared pursuant to the action taken at the meeting of the Board on September 17, 1935, and reading as follows:

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"In the absence of Governor Eccles, I wish to acknowledge receipt of your letter of September 12, 1935, requesting copies of the proposed regulations of the Board as revised to conform to the provisions of the Banking Act of 1935.

"In accordance with your request, we are pleased to transmit to you today under separate cover copies of the tentative drafts of the regulations which have been prepared to conform to the provisions of the Banking Act of 1935. You will understand, of course, that these regulations are merely tentative drafts which have been prepared at the direction of the Board but not yet acted upon by the Board."

Approved unanimously.

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

"Reference is made to your letter dated September 6, 1935, regarding the revision of Regulation F.

"While, as stated in the Board's letter of August 24, 1935, (X-9294), it is not essential to revise Regulation F on account of changes made in the law by the provisions of the Banking Act of 1935, the Board's staff has been doing some preliminary work on a revision of that regulation. A first tentative draft of a revision has been completed and, after some further consideration by the Board's staff, will be forwarded in accordance with the usual procedure to the Federal Reserve Agents for their consideration and comments. In the circumstances, it would seem desirable for the comments of your trust examiner to be withheld until you have received the tentative draft of a revision of the regulation, and any comments or suggestions which you or your trust examiner may have with regard to such draft of revision will be greatly appreciated.

"As you have been advised by Mr. Paulger, it is possible that a conference of the Assistant Federal Reserve Agents in charge of examinations will be held this fall. It is also possible that the conference will be expanded as it was last year to include a conference of the trust examiners. If the conferences are held, one of the topics for discussion will be the revision of the form of examination report, and it is expected also that Regulation F will be discussed."

Approved unanimously.

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

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"Reference is made to your letter of September 6, 1935, to Mr. Paulger regarding the staff of examiners and assistant examiners in the Agent's Department at the Federal Reserve Bank of Minneapolis.

"It has been noted that you are revising the commissions, or identification cards, issued to examiners to include the words, 'This commission void one year from date.' In order to avoid the necessity of issuing renewals of each commission upon the expiration date thereof at different dates throughout the year, it would appear to be preferable that the commissions, or identification cards, issued to all examiners be drawn to expire at the end of the calendar year and it is requested that this procedure be followed.

"It has been noted also that designations used in the commissions now outstanding include the titles of 'examiner', 'trust examiner', 'special examiner', and 'manager, bank examination department', and you have suggested that the new commissions, or identification cards, which you contemplate issuing include the titles 'trust examiner' and 'special examiner', in addition to 'examiner' and 'assistant examiner'. In this connection, your attention is called to the Board's letter of April 26, 1933, to the Secretary of the Federal Reserve Bank of Minneapolis, wherein it was stated that in order to obtain uniformity in titles of examiners, the Board prefers to limit the titles used to 'chief examiner', 'examiner', and 'assistant examiner'. At the present time, however, the personnel classification plan of your bank does not provide for a chief examiner. Your attention is called also to the Board's letter to you of January 22, 1934, in which it was requested that the commission given to the examiner in charge of trust examinations designate him as an 'examiner', not as a 'trust examiner'. It is accordingly requested that the designations used in issuing any commissions, or identification cards, to examiners be limited to the titles 'chief examiner', 'examiner', and 'assistant examiner', such designations in individual cases depending, of course, upon the classification for which the Board's approval has been obtained.

"You state that H. C. Timberlake holds a commission as assistant examiner. According to the Board's records, however, the appointment of Mr. Timberlake as assistant examiner does not appear to have been approved. It is assumed that he is the same individual who is listed as 'assistant statistician' in the schedule of employees submitted by the Federal Reserve Bank and that he is not regularly employed in examination work. In such event, the Board approves the appointment of Mr. Timberlake as assistant examiner in order that his services may be utilized in lending assistance to the examiners in connection with examinations of State member banks when the occasion arises. If such be not the

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"case, however, it is requested that you submit the information referred to in the Board's letter of September 20, 1933, (X-7595), upon receipt of which the Board will consider the approval of the appointment in the light of the information and recommendation received."

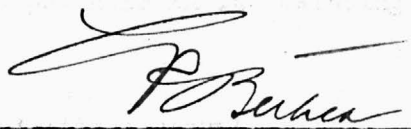
Approved unanimously.

There were then presented the following applications for changes in stock of Federal reserve banks:

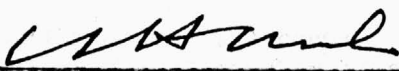
<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
The DeWitt County National Bank of Clinton, Clinton, Illinois	15	15
<u>District No. 9.</u>		
The First National Bank of Dickinson, Dickinson, North Dakota	2	2
	<u>Total</u>	<u>17</u>

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Acting Chairman, Executive Committee.