

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 20, 1935, at 11:30 a. m.

PRESENT: Mr. Hamlin, presiding
Mr. James
Mr. Szymczak

Mr. Bethea, Assistant Secretary

The Committee acted upon the following matters:

Telegram to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, 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 20, and notes with approval the establishment without change of the other rates of discount and purchase in effect at your bank."

Approved unanimously.

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

"Your telegram September 19. 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 20, and notes with approval the establishment without change of the other rates of discount and purchase in effect at your bank."

Approved unanimously.

Letter dated September 19, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated September 20 from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Fry, Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, all advising of the establishment without change by their

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respective banks on the dates stated of the rates of discount and purchase in effect at the banks.

Noted with unanimous approval.

Memorandum dated September 18, 1935, from Mr. Goldenweiser, Director, Division of Research and Statistics, recommending that beginning October 1, 1935, Mr. Horace Featherstone Drury, whose temporary appointment as a clerk in the Division on a month to month basis with salary at the rate of \$100 per month was approved on August 26, 1935, be placed on a half-time basis with salary at the rate of \$50 per month until such time as the inventory of the storeroom is completed.

Approved unanimously.

Memorandum dated September 17, 1935, from Mr. James submitting a letter dated September 14 from Governor Martin of the Federal Reserve Bank of St. Louis, which requested approval of certain changes in the personnel classification plan of the bank to provide for the creation of seven new positions in the Work Relief Division of the Transit Department. The memorandum stated that Governor Martin's letter indicated that a separate division had been established in the Transit Department for the purpose of handling work relief checks, and recommended that the proposed changes be approved.

Approved unanimously.

Memorandum dated September 18, 1935, from Mr. James submitting a letter dated September 13 from Mr. Kettig, Deputy Chairman of the Federal Reserve Bank of Atlanta, which requested approval of changes

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in the personnel classification plan of the Jacksonville Branch to provide for the new position of "Elevator Operator", and of the Savannah Agency to provide for the new position of "Guard" (regular salary paid by the Savannah Clearing House Association). The memorandum stated that the services of an elevator operator at the Jacksonville Branch were necessary due to increased activity in the office of the Loan Agency of the Reconstruction Finance Corporation which occupies rented quarters on the third floor of the Branch building, and that the position of guard at the Savannah Agency was created in order that the guard might be placed on the bank's payroll and thus be covered by the bankers' blanket bond. The memorandum further stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

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

"Reference is made to Mr. Dillistin's letter of June 20, inquiring whether, in view of the facts outlined, The Cazenovia National Bank, Cazenovia, New York, should apply for additional Federal Reserve bank stock on the basis of the par value of the outstanding preferred and common stock and of its surplus as shown by its books, or whether such book surplus should be ignored in making application for additional stock.

"It appears from Mr. Dillistin's letter that the bank has capital stock with an aggregate par value of \$375,000 and that its surplus on March 30, 1935, according to its books was \$24,000, on the basis of which it would be required and entitled to hold 240 shares of Federal Reserve bank stock, or 132 shares more than it now holds. It further appears that, although the bank's books showed a surplus on March 30, 1935 of \$24,000, the bank at the same time had a deficit of \$122,695.91 in its profit and loss account. In this connection, we have been informally advised by the Office of the Comptroller of the Currency that in its

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"June 29, 1935 condition report the bank showed the net book value of its capital stock as \$280,304.84 and no surplus, but that its report of earnings and dividends for the first half of 1935 shows a surplus of \$24,860 at the end of the period (including \$860 added to surplus during the period) and a deficit in undivided profits account of \$119,555.16.

"The Board stated in its letter X-7459 of June 19, 1933, that while any impairment in a member bank's capital stock or surplus should be corrected as soon as possible, its holdings of Federal Reserve bank stock should be based upon the amount of issued and outstanding capital stock and surplus as shown on its books, rather than upon unimpaired capital and surplus. If, however, the aggregate of the capital accounts as shown by its books and reports of condition is no greater than the par value of its outstanding capital stock and capital notes and debentures, the bank has no surplus and the amount of any surplus shown on the books of the bank should not be included in determining its required Federal Reserve bank stock holdings. Likewise, if the bank's books show a deficit in its undivided profits account not in excess of the amount of surplus shown by its books, the amount of the deficit should be deducted from the amount of the surplus shown by the books, in determining the basis for required Federal Reserve bank stock holdings. In the circumstances and in view of the facts involved in the case of The Cazenovia National Bank, the application of that bank for an adjustment in its holdings of stock of the Federal Reserve Bank of New York should be based only upon the par value of its outstanding capital stock and the bank should, therefore, apply for 117 additional shares of such stock."

Approved unanimously, together with a letter to the Federal Reserve Agents at all Federal Reserve banks except New York, transmitting a copy of the above letter for their information and guidance in the event that cases involving similar circumstances come to their attention.

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

"Inclosed herewith is a copy of a letter of September 6, 1935, addressed to the Comptroller of the Currency by The Good-year State Bank, Akron, Ohio, and referred by him to the Board. It will be noted that the conversion of the bank into a national bank or its application for membership in the Federal Reserve System as a State bank is under consideration but that before

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"any action is taken the bank desires to have the Board determine, pursuant to section 301 of the Banking Act of 1935, whether The Goodyear Tire & Rubber Company, which holds a majority of the bank's stock, is engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

"The Board will act upon this matter in the same manner as if the subsidiary bank were now a member bank. In its telegram of September 16, 1935 (Trans. 2305) the Board outlined the procedure which should be followed where such a determination is desired. As stated in the telegram, if a request for such a determination is filed, it must be accompanied by full information concerning all facts having a bearing on the question. The information accompanying the request in this case should include --

(1) A current financial statement of The Goodyear Tire & Rubber Company showing the nature and value of the various classes of assets owned by it.

(2) A statement giving the name and address of each subsidiary of, or other organization affiliated with, The Goodyear Tire & Rubber Company and showing the nature of the relationship and the character of the business or other activities of each such organization.

(3) A detailed list of all bank stocks owned or controlled, directly or indirectly, by The Goodyear Tire & Rubber Company, showing the number and value of the shares owned or controlled of each bank, the total number of outstanding shares of each bank, and the manner in, and purpose for, which such stock, or control thereof, was acquired and is held.

"The request should also be accompanied by such further information as you or The Goodyear Tire & Rubber Company may deem pertinent. As indicated in the above-mentioned telegram, the request, when forwarded to the Board, should be accompanied by the opinion of your counsel and an expression of your views concerning the matter.

"The Board is not communicating with The Goodyear State Bank directly and you are requested to advise it concerning the action which should be taken in order to obtain the Board's consideration of this matter. It is suggested that you furnish the bank with a copy of section 301 of the Banking Act of 1935 and call its attention to the fact that a determination by the Board pursuant thereto does not affect the status of a holding company affiliate for the purposes of section 23A of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Case, Federal Reserve Agent at the Federal

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Reserve Bank of New York, reading as follows:

"In connection with its consideration of the application of Amalgamated Clothing Workers of America, New York, New York, for a voting permit entitling certain trustees to vote the stock which that organization owns or controls of The Amalgamated Bank of New York, New York, New York, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If for any reason you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. You will also note that Amalgamated Clothing Workers of America is advised that if the purposes for which that organization operates or the nature of its activities are in the future substantially changed, this matter should again be submitted to the Board for its determination. In this connection, it is requested that you advise the Board if at any time you believe this matter should again be considered by the Board."

Approved unanimously, together with a letter to the Amalgamated Clothing Workers of America, New York, New York, reading as follows:

"This refers to the application of your organization for a voting permit entitling certain trustees to vote the stock which your organization owns or controls of The Amalgamated Bank of New York, New York, New York.

"The Board understands that your organization is an unincorporated labor union organized for the purpose of benefiting the working classes by improving working conditions, hours of labor, wages, etc. It is understood that your organization has been and is operated solely for such purposes, and that its control of The Amalgamated Bank of New York, stock of which is held, directly or indirectly, by trustees for the benefit of

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"the members of your organization, is incidental thereto.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'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.'

"In view of the above facts, the Board has determined that your organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above-quoted statutory provision and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your organization to obtain a voting permit in order that the stock which it owns or controls of The Amalgamated Bank of New York may be voted and on this basis the Board will give no further consideration to your application for such a permit.

"Of course, if the purposes for which your organization is operated or the nature of its activities should at any time be substantially different from the description thereof contained in this letter, this matter should again be submitted to the Board for its determination and the Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"In connection with its consideration of the application of 'The Meadow River Lumber Company', Rainelle, West Virginia, for a voting permit entitling it to vote the stock which it owns or controls of 'The Bank of Rainelle', Rainelle, West Virginia, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning

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"of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and that, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to determine at any time that, on the basis of the then existing facts, The Meadow River Lumber Company is engaged as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, and that it is therefore, a holding company affiliate for the purposes of all statutory provisions relating to such organizations. You will also note that The Meadow River Lumber Company is advised that if the character of its business or the nature of its assets is, in the future, substantially changed, or if that corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. In this connection it is requested that in the future in the examination of the subsidiary bank or the review of the reports of examinations of such bank or of other information coming to your attention having a bearing on the matter, consideration be given to the question whether there has been such a change in the situation and that you advise the Board if, at any time, you believe this matter should again be considered by the Board."

Approved unanimously, together with a
letter to The Meadow River Lumber Company,
Rainelle, West Virginia, reading as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of 'The Bank of Rainelle', Rainelle, West Virginia.

"The Board understands that your corporation was organized for the purpose of conducting a general lumber business and that that has been and is its principal business. It is understood that the only significant asset of The Meadow River Coal and Land Company, the principal subsidiary of your corporation, is coal land. It is further understood that your corporation's investment in The Bank of Rainelle is incidental to its principal business, such investment being made for the purpose of

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"maintaining banking facilities for the convenience of your corporation and its employees and other residents of the town developed by your corporation and in which its business is centered.

"It is noted that the audit report of your corporation as of December 31, 1934, showed that it had assets carried at a value of \$3,825,259.57 and classified as follows:

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|--|----------------|
| Timber (less reserve) | \$2,040,084.69 |
| Plant, equipment, town site, etc. (less reserve) | 599,368.20 |
| Stock of, and advances to, The Meadow River Coal and Land Company | 462,955.19 |
| Inventory | 421,551.62 |
| Notes and accounts receivable (less reserve) | 166,508.22 |
| Cash in banks | 64,889.34 |
| Deferred charges | 26,917.13 |
| Miscellaneous investments | 20,310.18 |
| Stock of The Bank of Rainelle | 22,675.00 |

"It is also noted that in a letter from your corporation to the Federal Reserve Bank of Richmond, under date of May 11, 1935, the following estimates were made of the value of certain assets of your corporation:

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|---|-------------|
| Timber | \$3,187,500 |
| Stock of, and advances to The Meadow River Coal and Land Company | 320,000 |
| Miscellaneous investments | 16,950 |
| Stock of The Bank of Rainelle | 34,331 |

"It is understood that the above mentioned audit report, supplemented by the estimates made by your corporation, reflects substantially the character and relative value of the various classes of assets now owned by your corporation. It is also understood that your corporation does not hold stock of, or manage or control, any bank other than The Bank of Rainelle.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'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.'

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"In view of the above facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provision, and, therefore, is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of The Bank of Rainelle and on this basis the Board will give no further consideration to your application for such a permit.

"If, however, the character of the business of your corporation or the nature of its assets should at any time be substantially different from the description thereof contained in this letter or if your corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. The Board reserves the right to determine at any time that, on the basis of the then existing facts, your corporation is engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, and is a holding company affiliate for the purposes of all statutory provisions relating to such organizations."

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

"In connection with its consideration of the application of 'Clearing Industrial District, Inc.', Chicago, Illinois, for a voting permit entitling it to vote the stock which it owns or controls of 'State Bank of Clearing', Chicago, Illinois, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1935, as amended by section 301 of the Banking Act of 1935, and that, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

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"As you will note, the Board expressly reserves the right to determine at any time that, on the basis of the then existing facts, Clearing Industrial District, Inc., is engaged as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, and that it is, therefore, a holding company affiliate for the purposes of all statutory provisions relating to such organizations. You will also note that Clearing Industrial District, Inc., is advised that if the character of its business or the nature of its assets is, in the future substantially changed, or if that corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. In this connection it is requested that in the future in the examination of the subsidiary bank or the review of the reports of examinations of such bank or of other information coming to your attention having a bearing on the matter, consideration be given to the question whether there has been such a change in the situation and that you advise the Board if, at any time, you believe this matter should again be considered by the Board."

Approved unanimously, together with a letter to Clearing Industrial District, Inc., Chicago, Illinois, reading as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of 'State Bank of Clearing', Chicago, Illinois.

"The Board understands that your corporation was organized for the purpose of developing an industrial district in the suburbs of Chicago and that that has been and is its principal business. It is understood that your corporation's investment in State Bank of Clearing is incidental to its principal business, such investment being made for the purpose of maintaining banking facilities for the convenience of the industries and residents of the industrial district and because the maintenance of such facilities was deemed essential to the development of the district.

"It is noted that the audit report of your corporation as of December 31, 1934, showed that it had assets carried at a value of \$7,491,131.36 and classified as follows:

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|---------------------------------------|----------------|
| Land, Buildings, Equipment, etc. | \$4,819,298.41 |
| Marketable securities | 1,218,693.07 |
| Mortgages receivable | 620,654.39 |
| Accounts and contracts receivable | 393,040.45 |
| Cash | 134,290.84 |
| Miscellaneous stocks, bonds and notes | 47,699.77 |

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| "Notes receivable from director and officer | \$ 25,000.00 |
| Prepaid insurance, taxes, supplies, etc. | 21,035.97 |
| Investment in State Bank of Clearing (including subordinated deposit of \$150,000.) | 211,418.46 |

It is understood that this report reflects substantially the character and relative value of the various classes of assets now owned by your corporation. It is also understood that your corporation does not hold stock of, or manage or control, any bank other than State Bank of Clearing.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'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.'

"In view of the above facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provision, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of State Bank of Clearing and on this basis the Board will give no further consideration to your application for such a permit.

"If, however, the character of the business of your corporation or the nature of its assets should at any time be substantially different from the description thereof contained in this letter, or if your corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. The Board reserves the right to determine at any time that, on the basis of the then existing facts, your corporation is engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks,

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"or trust companies and is a holding company affiliate for the purposes of all statutory provisions relating to such organizations."

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

"In connection with its consideration of the application of the Corporation of the President of the Church of Jesus Christ of Latter-day Saints, Salt Lake City, Utah, for a voting permit entitling it to vote the stock which it owns or controls of The Utah State National Bank of Salt Lake City and Utah Savings & Trust Company, both of Salt Lake City, Utah, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 25A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If for any reason you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. You will also note that the Corporation of the President of the Church of Jesus Christ of Latter-day Saints is advised that if the purposes for which it operates or the nature of its activities are in the future substantially changed, this matter should again be submitted to the Board for its determination. In this connection, it is requested that you advise the Board if at any time you believe this matter should again be considered by the Board."

Approved unanimously, together with a
letter to the Corporation of the President
of the Church of Jesus Christ of Latter-
day Saints, Salt Lake City, Utah, reading
as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns

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"or controls of The Utah State National Bank of Salt Lake City and Utah Savings & Trust Company, both of Salt Lake City, Utah.

"It is understood that your corporation is a corporation sole which holds and manages all of the property of the Church of Jesus Christ of Latter-day Saints. It is noted that its articles of incorporation state its object to be as follows:

'The object of this corporation shall be to acquire, hold and dispose of such real and personal property as may be conveyed to or acquired by said corporation for the benefit of the members of the Church of Jesus Christ of Latter-day Saints, a religious society, for the benefit of religion, for works of charity and for public worship.'

It is understood that your corporation has been and is operated solely for religious, educational and charitable purposes and not for private profit.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933 defining the term 'holding company affiliate' by adding thereto the following paragraph:

'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.'

"In view of the above facts the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks or trust companies within the meaning of the above quoted statutory provision and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of the above mentioned banks and on this basis the Board will give no further consideration to your application for such a permit.

"Of course, if the purposes for which your corporation is operated or the nature of its activities should at any time be substantially different from the description thereof

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"contained in this letter, this matter should again be submitted to the Board for its determination and the Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"In connection with its consideration of the application of 'The McCloud River Lumber Company', McCloud, California, for a voting permit entitling it to vote the stock which it owns or controls of 'The McCloud National Bank', McCloud, California, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and that, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to determine at any time that, on the basis of the then existing facts, The McCloud River Lumber Company is engaged as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, and that it is, therefore, a holding company affiliate for the purposes of all statutory provisions relating to such organizations. You will also note that The McCloud River Lumber Company is advised that if the character of its business or the nature of its assets is, in the future, substantially changed, or if that corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. In this connection it is requested that in the future in the examination of the subsidiary bank or the review of the reports of examinations of such bank or of other information coming to your attention having a bearing on the matter, consideration be given to the question whether there has been such a change in the situation and that you advise

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"the Board if, at any time, you believe this matter should again be considered by the Board."

Approved unanimously, together with a letter to The McCloud River Lumber Company, McCloud, California, reading as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of 'The McCloud National Bank', McCloud, California.

"The Board understands that your corporation was organized for the purpose of, and has been and is principally engaged in, logging operations and the manufacture of lumber and its by-products. It is understood that in connection with that business your corporation has developed and owns and operates the town of McCloud in which its manufacturing plant is located. It is further understood that your corporation's investment in The McCloud National Bank is incidental to its principal business, such investment having been made for the purpose of maintaining banking facilities for the convenience of your corporation and its employees.

"It is noted that the financial statement of your corporation as of December 30, 1933, filed with the application for a voting permit, showed that your corporation had assets carried at a value of \$17,747,233.16, and classified as follows:

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|---|-----------------|
| Lands and timber | \$12,930,697.54 |
| Manufacturing plant, town buildings, tenements, etc. (less reserve) | 2,517,600.54 |
| Logging plant (less reserve) | 166,323.37 |
| Ranches and equipment | 61,227.71 |
| Miscellaneous personal property (less reserve) | 43,171.55 |
| Inventories (lumber, merchandise, etc.) | 781,695.24 |
| Advances on future logs | 192,620.45 |
| Other advances | 68,717.12 |
| Notes, accounts, contracts and interest receivable | 372,243.84 |
| Cash | 142,509.62 |
| Sinking fund | 1,126.46 |
| Stocks and bonds (other than bank stock) | 297,299.72 |
| Stock of The McCloud National Bank | 172,000.00 |

It is also noted that the comparative balance sheets of your corporation as of December 31, 1933, and December 31, 1934, appearing in Moody's Manual of Investments, indicate no significant change in the assets of your corporation, and it is under-

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"stood that the above mentioned financial statement reflects substantially the character and relative value of the various classes of assets now owned by your corporation. It is also understood that your corporation does not own stock of, or manage or control, any bank other than The McCloud National Bank.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'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.'

"In view of the above facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provision, and, therefore, is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of The McCloud National Bank and on this basis the Board will give no further consideration to your application for such a permit.

"If, however, the character of the business of your corporation or the nature of its assets should at any time be substantially different from the description thereof contained in this letter or if your corporation acquires control over any other bank, this matter should again be submitted to the Board for its determination. The Board reserves the right to determine at any time that, on the basis of the then existing facts, your corporation is engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies and is a holding company affiliate for the purposes of all statutory provisions relating to such organizations."

Memorandum dated September 19, 1935, from Mr. Parry, Chief,

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Division of Security Loans, requesting approval by the Board of certain changes to correct clerical and editorial defects in Form F.R. 240, approved by the Executive Committee on August 26, 1935, to be used in obtaining monthly reports from member firms of national securities exchanges.

Approved unanimously.

Memorandum dated September 19, 1935, from Mr. Parry, Chief of the Division of Security Loans, submitting proposed letters to all Federal reserve agents requesting them to inaugurate as of September 30, 1935, an extension of the Board's system of obtaining monthly reports from member firms of national securities exchanges. The memorandum stated that the letters are, in substance, the same as the Board's letter of August 26 to Mr. Case requesting him to inaugurate the reporting system as of August 31, 1935, in New York City and as of September 30, 1935, elsewhere in the New York Federal Reserve District; that, after the proposed extension, the reporting service will have been inaugurated in all Federal reserve districts in respect to all member firms of the following exchanges: the New York Stock Exchange, the New York Curb Exchange, and the Boston, Philadelphia, Pittsburgh, Chicago, and San Francisco stock exchanges; and that tentative plans for the proposed extension were worked out at a staff conference in New York last week, which dealt largely with New York experience in inaugurating the reports and was attended by representatives of the Division of Security Loans and of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Chicago,

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and San Francisco. The memorandum also requested approval of the proposed letters as quoted below:

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

"Supplementing the Board's letter of August 26, it will be appreciated if you will request all member firms of the following exchanges who have their principal offices in your Federal Reserve district to make monthly reports on Form F. R. 240 beginning with reports as of September 30:

New York Curb Exchange
Boston Stock Exchange
Philadelphia Stock Exchange
Pittsburgh Stock Exchange
Chicago Stock Exchange
San Francisco Stock Exchange

You will be informed by the Federal Reserve Agents of the districts in which these exchanges (excepting the New York Curb Exchange) are located as to the names and addresses of any member firms of such exchanges as appear to have their principal offices in your district, and you are requested to reciprocate in respect to member firms of the New York Stock Exchange and the New York Curb Exchange. Please forward directly to the Board, to be coordinated and relayed, the names and addresses of all member firms of the New York Stock Exchange and the New York Curb Exchange who have their principal offices in the following Federal Reserve districts: Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas.

"The use by you of Form F. R. 240 for reports as of August 31 has disclosed no need for any change at this time in the substance of this form. A few changes in phraseology and typography, however, to make the meaning clearer, have been approved by the Board and are indicated on the enclosure."

Letter to Mr. Curtiss, Federal Reserve
Agent at the Federal Reserve Bank of Boston,
reading as follows, and similar letters to
the Federal Reserve Agents at the Federal
Reserve Banks of Philadelphia, Cleveland,
Chicago and San Francisco:

"The Board of Governors of the Federal Reserve System has approved the enclosed form (Form F. R. 240) for use in obtaining current monthly reports from all member firms of all national securities exchanges, and it will be appreciated if you will

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"request all member firms of the Boston Stock Exchange who have their principal offices in the Boston Federal Reserve District to make monthly reports on this form beginning with reports as of September 30, 1935.

"The purpose of these reports is to provide current statistical information for the use of the Board in the performance of its duties under the Securities Exchange Act of 1934, particularly the regulation, through the prescribing of margin requirements, of the total amount of credit used for the purpose of purchasing or carrying securities. It is believed that changes from time to time in the reported figures, when assembled into aggregates for the reporting firms as a group, will be most informative for this purpose, and the Board hopes to arrange in due time, in accordance with its established practice, for the current publication of such aggregates.

"You are at liberty to quote the foregoing text of this letter, or any part thereof, if you so desire, in your request to member firms for reports.

"Letters are being addressed to each Federal Reserve Agent asking him to request all member firms of the following exchanges having their principal offices in his Federal Reserve district to make monthly reports on the same form:

New York Stock Exchange
 New York Curb Exchange
 Boston Stock Exchange
 Philadelphia Stock Exchange
 Pittsburgh Stock Exchange
 Chicago Stock Exchange
 San Francisco Stock Exchange

"Please inform the Federal Reserve Agent of each of the districts in which the above exchanges are located (New York, Philadelphia, Cleveland, Chicago, and San Francisco) as to whether any member firms of the Boston Stock Exchange have their principal offices in his district, giving the names and addresses of any such firms, and send to the Board a copy of your communication to him on the subject. Corresponding information concerning member firms of the Boston Stock Exchange who have principal offices in the following Federal Reserve districts should be sent directly to the Board, which will coordinate and relay the information: Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas.

"You will receive from other Federal Reserve Agents the names and addresses of any member firms of the above exchanges (other than the Boston Stock Exchange) who appear to have their principal offices in your district, and it will be appreciated if you will request such firms to make reports to you, beginning with those for September 30, in the same manner as the member firms of the Boston Stock Exchange.

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"The Board of Governors of the Federal Reserve System has duly taken action, in accordance with section 17(b) of the Securities Exchange Act of 1934, to require these reports as necessary or appropriate to enable the Board to perform the functions conferred upon it by this Act, from all member firms of the New York Stock Exchange and of other national securities exchanges who are extending credit and who are subject to the rules and regulations prescribed by the Board. It is believed that member firms who answer to this description will in general comply as a matter of course with the request that they submit the reports, without having to be reminded of the fact that the terms of the Act require compliance and that the wilful violation of the requirement by any such member firm would render the firm subject to section 32 of the Act and after legal action to the penalties prescribed by that section.

"In order to avoid misunderstanding by reporting firms, attention may be called when necessary to the fact that the aggregates desired, in order to serve their purpose currently with the Board, must become available to the Board promptly, and that for this reason a report made in good faith by any firm on the basis of data at hand at the end of the month, or within a few days thereafter, will serve its purpose regardless of minor inaccuracies arising from the making of reports before final returns from all the branch offices of a firm are at hand or before the underlying records have been audited.

"When the figures for each month have been properly compiled, kindly forward them as soon as possible to the Board of Governors of the Federal Reserve System. Separate figures should be shown for (1) member firms of the New York Stock Exchange and (2) other member firms of national securities exchanges."

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows, and similar letters to the Federal Reserve Agents at the Federal Reserve Banks of Atlanta, St. Louis, Minneapolis, Kansas City and Dallas:

"The Board of Governors of the Federal Reserve System has approved the enclosed form (Form F. R. 240) for use in obtaining current monthly reports from all member firms of all national securities exchanges. A supply of these forms will be forwarded to you under separate cover.

"The purpose of these reports is to provide current statistical information for the use of the Board in the performance of its duties under the Securities Exchange Act of 1934, particularly the regulation, through the prescribing of margin requirements, of the total amount of credit used for the purpose of purchasing

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"or carrying securities. It is believed that changes from time to time in the reported figures, when assembled into aggregates for the reporting firms as a group, will be most informative for this purpose, and the Board hopes to arrange in due time, in accordance with its established practice, for the current publication of such aggregates.

"You are at liberty to quote the foregoing text of this letter, or any part thereof, if you so desire, in your request to member firms for reports.

"Letters are being addressed to each Federal Reserve Agent asking him to request all member firms of the following exchanges having their principal offices in his Federal Reserve district to make monthly reports on the same form:

New York Stock Exchange
 New York Curb Exchange
 Boston Stock Exchange
 Philadelphia Stock Exchange
 Pittsburgh Stock Exchange
 Chicago Stock Exchange
 San Francisco Stock Exchange

"You will receive from the Board the names and addresses of member firms of any of such exchanges who appear to have their principal offices in your Federal Reserve district. It will be appreciated if you will request such firms to make monthly reports to you, beginning with the report for September 30. In the event that a firm indicates that it would prefer to make its reports from another of its offices, to another Federal Reserve bank, please notify the Board. A code number will be assigned by the Board to each firm and should be noted on the report when it is sent out. It is unnecessary for the name of the firm to appear on the report.

"The Board of Governors of the Federal Reserve System has duly taken action, in accordance with section 17(b) of the Securities Exchange Act of 1934, to require these reports as necessary or appropriate to enable the Board to perform the functions conferred upon it by this Act, from all member firms of the New York Stock Exchange and of other national securities exchanges who are extending credit and who are subject to the rules and regulations prescribed by the Board. It is believed that member firms who answer to this description will in general comply as a matter of course with the request that they submit the reports, without having to be reminded of the fact that the terms of the Act require compliance and that the wilful violation of the requirement by any such member firm would render the firm subject to section 32 of the Act and after legal action to the penalties prescribed by that section.

"In order to avoid misunderstanding by reporting firms, attention may be called when necessary to the fact that the

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"aggregates desired, in order to serve their purpose currently with the Board, must become available to the Board promptly, and that for this reason a report made in good faith by any firm on the basis of data at hand at the end of the month, or within a few days thereafter, will serve its purpose regardless of minor inaccuracies arising from the making of reports before final returns from all the branch offices of a firm are at hand or before the underlying records have been audited.

"When the figures for each month have been properly compiled, kindly forward them as soon as possible to the Board of Governors of the Federal Reserve System. Separate figures should be shown for (1) member firms of the New York Stock Exchange and (2) other member firms of national securities exchanges."

All of the letters were approved unanimously.

Letter to the Federal reserve agents at all Federal reserve banks transmitting forms and instructions in connection with the next call for condition reports of State member banks, together with certain paragraphs to be inserted in the letters of the agents forwarding the report forms to State member banks.

Approved unanimously.

Letter to Mr. Frederic A. Delano, a former member of the Federal Reserve Board, reading as follows:

"In the absence of Mr. Morrill, I acknowledge receipt of your letter of September 18, inquiring whether the Board would care to have some thirty or forty volumes of early reports and other data pertaining to the Board, which you will be willing to send to this office if the Board will accept them.

"Your letter has been drawn to the attention of the Board of Governors, and I have been authorized to say that the Board appreciates the courtesy of your offer and will be very glad to receive the material."

Approved unanimously.

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

"This refers to your letter dated September 12, 1935, regarding the question whether loans made by a Federal Reserve bank under section 10(b) of the Federal Reserve Act, as amended, would be eligible as collateral for Federal Reserve notes or for Federal Reserve bank notes.

"The Board is of the opinion that notes evidencing advances made under section 10(b) of the Federal Reserve Act, as amended, may not be accepted by Federal Reserve Agents as collateral for Federal Reserve notes, but such notes are available as collateral for Federal Reserve bank notes which, under the law, may be issued against the security of any notes, drafts, bills of exchange, or banker's acceptances acquired under the provisions of the Federal Reserve Act to an amount equal to not more than 90 per cent of the estimated value of such security. As you suggest, such Federal Reserve bank notes would, of course, be subject to the tax provided by law."

Approved unanimously.

Letter to the International Banking Corporation, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of September 10, 1935, inclosing a Consolidated Statement of Condition, a Statement of Undivided Profits and of Reserves as of June 30, 1935, together with reports of your Barcelona and Madrid offices as of June 25, 1935.

"It has been noted that in submitting its reports to you, your affiliate, the National City Bank of New York (France) S. A., has amalgamated certain of its accounts and you have requested the Board's approval of the method adopted by the affiliate before preparing and forwarding the report to the Board. It was contemplated that overdrafts in Nostro and Vostro accounts would be shown separately and not combined with other balances with the same banks. However, in order that the transmission to the Board of the report of the affiliate may be expedited, it is requested that the report be prepared and submitted on the basis of the amalgamated balances referred to in your letter of September 10, 1935, but that a supplementary report be later submitted showing the break down of such amalgamated balances."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System approves the application of The Continental National Bank of Harlowton, Montana, received with Mr. Bailey's letter of September 16, for the cancelation of 6 shares of stock of the Federal Reserve Bank of Minneapolis.

"It is suggested that pending the issuance of revised Regulation I future applications for partial cancelation of Federal Reserve bank stock be obtained on Form 60-Temporary and handled at your bank in accordance with the procedure outlined in the Board's letter of August 26, 1935, X-9297."

Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Acting Chairman, Executive Committee.