

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 16, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Hamlin
Mr. Miller
Mr. James

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Committee acted upon the following matters:

Telegrams dated October 16, 1935, from Messrs. Curtiss, Austin and Wood, Chairmen of the Federal Reserve Banks of Boston, Philadelphia and St. Louis, respectively, all advising of the establishment without change by their banks today of the rates of discount and purchase in effect at the banks.

Noted with unanimous approval.

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

"Receipt is acknowledged of your letters of October 8 and October 11, 1935, from which it has been noted that in connection with a reorganization of the Department of Examinations of your bank you have appointed a chief examiner.

"This is to advise you that the Board approves, effective October 7, 1935, the appointment of Mr. James D. MacDonald as chief examiner in the Federal Reserve Agent's department of your bank. Approval by the Board of the salary of \$6,000 is not necessary, inasmuch as this amount does not exceed the maximum salary allowed for this position in your Personnel Classification Plan."

Approved unanimously.

Letter to the board of directors of the "Farmers & Merchants State Bank", Darlington, Indiana, stating that, subject to the conditions pre-

10/16/35

-2-

scribed 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, together with a letter to the Federal Reserve Agent at Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Farmers & Merchants State Bank', Darlington, Indiana, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Indiana for his information.

"It has been noted from the report of examination as of August 14, 1935, that the institution was carrying a balance in excess of 10 per cent of its capital with the Elston Bank and Trust Company, Crawfordsville, Indiana, a nonmember bank. It is suggested, therefore, that you call the specific attention of the bank to condition numbered 11.

"It will be noted that the Board has not prescribed the portion of membership condition numbered 1 recommended by the Reserve Bank Committee that the bank shall eliminate or place in a condition acceptable to you prior to February 1, 1936, the assets classified as doubtful in the report of examination of the bank as of August 14, 1935. It is suggested, however, that you point out to the bank the advisability of transferring such assets to the trustees prior to the expiration of the right of substitution period in the event an improvement in the condition of such assets is not evident by that time.

"In connection with condition numbered 19 in the inclosed letter to the subject bank, please advise not later than December 31, 1936, what progress has been made toward the removal of the building and loan association from the banking quarters of the bank if such removal is not effected prior to that time."

Letter to Mr. M. L. Barringer, Assistant Treasurer, Denison University, Granville, Ohio, reading as follows:

10/16/35

-3-

"This refers to your letter dated September 27, 1935, addressed to the Secretary of the Treasury, which has been referred to the Board of Governors of the Federal Reserve System for reply.

"You state that Denison University had planned to deposit some current operating cash, which it will not need for from four to six months, in savings accounts at several banks in amounts of \$5,000 at each bank, intending, thereby, to earn some much needed additional income to help operate the college.

"You also state that you were informed by one of your local banks that it was not permitted to pay interest on such a deposit since it would be classified as a corporation deposit and not as a thrift account. Accordingly, you requested a ruling that the proposed deposit be classified as a thrift deposit.

"Section 19 of the Federal Reserve Act, as amended, authorizes and directs the Board of Governors of the Federal Reserve System to limit by regulation the rate of interest which may be paid by member banks of the Federal Reserve System and in accordance with this provision the Board has issued its Regulation Q defining 'savings deposits' as deposits consisting of funds accumulated for 'bona fide thrift purposes' and which meet certain other requirements regarding presentation of the pass book, notice of withdrawal, and form of contract with the depositor.

"If the local bank in which you attempted to make a savings deposit is a member bank of the Federal Reserve System, it may be that such bank declined to receive the deposit of 'current operating cash' from the university on the ground that it believed that such funds were not accumulated for 'bona fide thrift purposes'.

"The Board feels that questions as to whether deposits may be regarded as funds accumulated for bona fide thrift purposes should be considered by member banks in the exercise of their best judgment and in the light of the provisions of the law and the regulation and that in each case the question must be determined in the light of the particular facts and circumstances of the case. The Board believes that it would not be practicable for it to undertake to determine such questions as they may arise in individual cases with member banks when deposits are offered to them.

V(a) "The definition of savings deposits is contained in section of Regulation Q, a copy of which is inclosed herewith for your convenience. It should be observed, however, that the Board now has under consideration a revision of Regulation Q to conform to the changes made in the law by the recently enacted Banking Act of 1935 and it is possible that some change may be made in the definition of savings deposits.

10/16/35

-4-

"It may be that the needs of the university will be met by depositing the funds in question in a time deposit which must, under the provisions of the Board's regulation, be payable not less than 30 days after the date of deposit or upon written notice of not less than 30 days. Member banks are permitted to pay the same maximum rate of interest on time deposits as on savings deposits and the requirement applicable to savings deposits that funds in such deposits shall be accumulated for bona fide thrift purposes is not applicable to time deposits."

Approved unanimously.

Letter to the Hechinger Engineering Corporation, Washington, D. C., reading as follows:

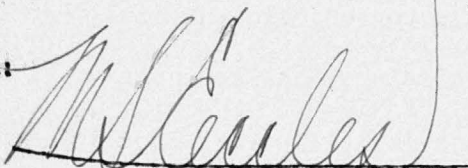
"Receipt is acknowledged of your letter of October 3, 1935, with reference to your bid filed under date of September 3, 1935, for demolishing and removing Temporary Building No. 5 located between 20th and 21st Streets, C Street and Constitution Avenue, Northwest, Washington, D. C., and of your letter of October 14, 1935, transmitting an agreement of the United States Guarantee Company to extend the bond which it had previously executed as surety so that it will cover your bid until January 1, 1936.


"You are advised that the Board approves the understanding with regard to the modification of the bid and of the form of contract as fully set forth in the Board's letter of September 25, 1935, and as confirmed by your letter of October 3, 1935."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.