A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 25, 1935, at 2:40 p. m.

PRESENT: Mr. Eccles, Chairman
Mr. Thomas, Vice Chairman
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Szymczak
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Mr. Eccles stated that at the meetings of the Board on October 18 and 21, 1935, action had been deferred on the draft of letter proposed by Mr. Hamlin to be sent to the Comptroller of the Currency with regard to the voting permit applications of The Transamerica Corporation and Inter-America Corporation, in order to enable the members of the Board to review the record. He also stated that, in connection with the general matter of voting permits, he desired to call the attention of the Board to the fact that it had been more than two years since approval of the Banking Act of 1933 authorizing the Board to issue voting permits and that the Board had not reached a decision as to the policy to be followed in certain classes of cases with regard to the issuance of general voting permits, with the result that in connection with a majority of the applications submitted to the Board for voting permits only limited permits had been issued. He added that the Examinations Division had practically completed its work in connection with the
applications now pending and was prepared to submit recommendations on such applications but action was being delayed pending a determination of the policy to be followed in prescribing conditions upon which general voting permits would be issued. It was his opinion, Mr. Eccles said, that the Board should reach a decision in the matter as promptly as possible, and take final action on the applications now before it, in order that it would not be subject to further criticism for delaying action.

Mr. O'Connor read a memorandum addressed to the Board of Governors of the Federal Reserve System under date of October 25, 1935, which had been prepared by him in response to the draft of letter discussed at meetings of the Board on October 18 and 21.

"At the meeting of the Board on October 18, 1935, the question was raised with respect to the general policy of the Board on the conditions which the Board might impose on national banks through the medium of the granting of voting permits to holding company affiliates. At that time I stated that the Board had previously settled this question by adopting a resolution on motion by Governor Hamlin which was seconded by me. The minutes of the meeting of the Board of July 12, 1935, show that I am correct in my statement that the matter had been settled. The resolution adopted reads as follows:

'In granting voting permits to holding company affiliates of national banks, a condition shall be imposed that said holding company affiliates of said national banks shall agree to take such action within their power as may be necessary to cause any subsidiary national bank or affiliate thereof to comply with the recommendations or suggestions of the Comptroller of the Currency based upon any report of examination of such banks or affiliates made to him pursuant to authority conferred by law and to comply with the regulations or requirements of the Federal Reserve Board made pursuant to authority vested in it by law.'

"Since such meeting of October 18th my attention has been called to the report of the Banking and Currency Committee of the Senate which accompanied the Banking Act of 1935 and which in addition to the reasons I have previously given fully justifies the
"position adopted by me and recognized by the resolution of the Board.

"On Page 11 of the report which was submitted by Senator Glass on S. 1651, report No. 77, the following statement appears:

'The affiliates of this type (holding companies) are prohibited from voting the stocks of national banks unless they are willing to undertake to accept examination by the Federal Reserve Board, divest themselves of ownership of stock and bond financing concerns, and comply with regulations designed to insure their ownership of sufficient free assets to make sure that they can satisfy the double liability of their shareholders in case any of the banks owned by such a company should go into the hands of receivers or be closed.'

"Note particularly that the purpose of the regulations or conditions, whichever they may be termed, with which the holding company is to comply, was designed to insure the holding companies' ownership of sufficient free assets to satisfy the double liability on shares of stock of national banks in case any of the banks owned by such a company should go into the hands of receivers. That is a specific statement of the intention of Congress.

"At the same meeting of October 18th, it was agreed that a draft of a letter to be addressed to the Comptroller with respect to the Transamerica Corporation and the Inter-America Corporation and the Bank of America National Trust and Savings Association, San Francisco, be circulated among the Board members for discussion at the meeting today. This letter contains three questions to be propounded to the Comptroller:

1. 'As to the effect, in your judgment, based upon your examinations, upon the national bank in question, of the relations growing out of the ownership or control of the stock of said national bank by its holding company affiliates.'

2. 'Whether, as the result of conclusions which you may have formed as to the effect of such relations, you have any suggestions to offer as to the advisability of granting the permit.'

3. 'What suggestions or recommendations you have made or contemplate making, with regard to the criticized matters referred to in the attached summary, on the basis of the examinations of the Bank of America National Trust and Savings Association, and what progress is being made toward the removal of the causes of said criticisms.'

"As to the first two questions, you would request my opinion and as to the third you desire to know what action has been made or is in contemplation with respect to the Bank of America National Trust and Savings Association which I do not recognize as having a real bearing on the responsibility placed in the Board as distinguished from the Comptroller under the law. However, in general I
"call the Board's attention to the following: The bank's condition so far as its general assets are concerned is not primarily due, in my opinion, to the ownership or control of the stock of said bank by its holding company affiliates. As a matter of fact a large percentage of the loans is the result of acquiring by the affiliates of objectionable or non-liquid assets which the bank would now have in its portfolio had the affiliates not entered into the various contracts to protect the bank. Therefore, the bank is in better condition provided the obligations of these holding company affiliates add anything to the assets acquired which appears to be a fact since the original total obligations of the Inter-America Corporation were in the amount of $35,214,000 and now stands on the books of the bank at $22,379,095, a reduction of $12,834,905, and the sworn report to the Comptroller from the affiliate holding company states: 'the holding company affiliate has established a reserve and has made full provision on its books for liability and possible loss under outstanding contracts.'

"In connection with the further holding company affiliate - the Transamerica Corporation - the original obligations of this corporation to the bank for contracts for the purchase of real estate were in the amount of $9,155,786.56. It now stands on the books of the bank at $5,970,327.55, a reduction of $3,185,459.01. On the other hand it must be conceded that it would be a sounder policy for the bank not to pay large dividends which may be due to the desire of the holding company affiliate to pay dividends on its stock and by this means an adverse condition through affiliate relationship would be created.

"As to the general condition of the bank, there is no question but that it could be in more satisfactory shape since it has over a period of time accumulated too much real estate and too large a proportion of its assets are based upon real estate, which latter condition applies to a great number of the larger banks in California. The bank also has other assets of slow moving character. In this connection the Chief National Bank Examiner for the 12th Federal Reserve District has stated:

'The major problems of this institution continue to be actual and potential other "real estate owned" and the concentration of credit to affiliates of Transamerica Corporation, the liquidation of which depends to a large extent upon the sale of real estate and other assets of slow moving character. In the aggregate the above are of no mean consequence and by reason of their very nature are not amenable to quick correction, but nevertheless we are pleased with the trends reflected in the within report. We also feel that quite satisfactory asset progress has been made and that if general conditions maintain present levels the outlook for the future is rather encouraging.'

It is only fair to say, however, that from a condition which existed
"in 1932 of borrowed money of approximately $150,000,000 the bank today has no borrowed money and as of June 29th of this year had unpledged Governments or obligations fully guaranteed by the United States and cash and due from banks of $269,000,000 and the latest report of examination shows doubtful assets of $8,069,000 and losses of $2,271,000; and appreciation on investment securities of $11,228,000.

"I can see no good that can be accomplished by the denial of a voting permit in connection with this situation.

"I desire this memorandum to be made a part of the minutes of this meeting."

After a discussion of the condition of Bank of America National Trust & Savings Association and certain other banks in California, during which the suggestion was made and concurred in by all the members of the Board that the draft of letter prepared by Mr. Hamlin and the proposed reply of the Comptroller be treated as having been sent and received, respectively, Mr. Miller moved that the memorandum read by Mr. O'Connor be made a part of the record of this meeting in accordance with Mr. O'Connor's request, and that the memorandum be referred to Mr. Hamlin for a recommendation to the Board as to the action to be taken on the voting permit applications of The Transamerica Corporation and Inter-America Corporation.

Carried unanimously.

Mr. Hamlin stated that he expected to be in a position to make a recommendation on the matter in the course of the next two or three days.

He also referred to the question of making specific reference to a one-to-ten ratio of capital and surplus to deposits in the conditions to be prescribed in connection with general voting permits, but that he was opposed to such a requirement. A discussion of this point indicated agreement among the members that a condition requiring the maintenance of a definite capital ratio should not be prescribed, for
the reason that the determination of the adequacy of a bank's capital requires consideration of many factors, including among others the quality and distribution of its assets, their liquidity, investment in bank buildings and other fixed assets, management, etc.

Mr. Miller stated that, in accordance with the action taken at the meeting of the Board on October 18, 1935, he had prepared drafts of a reply to the inquiry submitted to the Board by the Federal Advisory Council at the meeting on September 24, 1935, but that, if the Board had no objection, he would like to have a little more time in which to consider the matter.

It was unanimously agreed that action should be deferred until the next meeting of the Board.

The Chairman referred to a memorandum addressed to the Board under date of August 27, 1935, by Mr. James, in which it was stated that Mr. John K. Ottley of Atlanta, who was instrumental in influencing Mr. H. Warner Martin to accept the position of Deputy Governor of the Federal Reserve Bank of Atlanta, had called on the telephone to remind the Board of its agreement that, in the event the Congress, at its last session, did not change the status of the office of chairman and Federal reserve agent, Mr. Martin would be appointed chairman and Federal reserve agent at Atlanta. The memorandum also requested that the Board give attention to the matter. Mr. Eccles stated that, while technically the Banking Act of 1935 had not changed the status of the position of
chairman and Federal reserve agent, the law was amended to provide that after March 1, 1936, the president shall be the chief executive officer of the bank, that a question as to what the duties of the chairman and Federal reserve agent will be after March 1, 1936, had arisen, and that there was a question in his mind whether Mr. Martin would be willing to accept appointment as chairman and Federal reserve agent until that question had been settled by the Board.

Mr. James said that his reason for bringing the matter to the attention of the Board was that Mr. Ottley was rather concerned because of his own part in the matter as to what action the Board would take in the circumstances. He also stated that yesterday he had discussed the matter with Mr. Newton, Governor of the Federal Reserve Bank of Atlanta, and that Governor Newton had stated that he would explain the situation to Mr. Martin and that he (Mr. James) thought the matter should be held in abeyance for the time being.

Upon motion by Mr. James, it was unanimously agreed that the matter should be held for consideration at a later time.

There was then presented a memorandum dated October 18, 1935, from Mr. James, submitting memoranda from Mr. Smead, Chief of the Division of Bank Operations and Mr. Cherry, Assistant Counsel, prepared in accordance with the action taken at the meeting of the Executive Committee of the Board on June 26, 1935, with respect to the position of the Board on the question of compulsory retirement of officers and employees of the Federal reserve banks who had attained the age of 65 years. Mr.
James' memorandum suggested that, as the matter is one of policy, it should be permitted to lie on the table until after the reorganization of the Board as of February 1, 1936, at which time the Board will be in a position to decide more definitely on matters of future policy.

It was unanimously agreed to defer action on the matter in accordance with Mr. James' suggestion.

The Chairman then presented letters dated October 14 and 15, 1935, from Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, stating that, in response to the circulars sent out by the bank quoting the request made by the President of the United States that the commercial banks cooperate by cashing works checks at par, letters had been received from a number of banks in the Minneapolis District some of which protested against the request, while others stated that, if arrangements could be made to ship without expense to the banks the currency and coin necessary to cash the checks, they would be glad to comply with the request. The last two paragraphs of Mr. Peyton's letter of October 14, 1935, read as follows:

"The regional Federal reserve banks at the present time suffer for a great many of their own sins in the eyes of the country bankers. It is quite evident that this Treasury bulletin has irritated them still further. The matter of exchange is a very live issue in the Ninth Federal Reserve District and many member country banks are considering leaving the System in order to obtain it.

"It would seem to me that the moral to be drawn from this correspondence is that it would be very desirable if the Board of Governors of the Federal Reserve System could prevail upon the Secretary of the Treasury to issue such bulletins direct to the banks over his signature, rather than over the signatures of the several regional banks. Despite the very evident fact that the regional bank acts only as a medium for disseminating the information,
"the banker feels that the regional bank is again endeavoring to influence exchange charges, and it recalls to the banker's mind the original unpopular efforts of the Federal Reserve System to force non-member banks to clear at par."

There followed a discussion of the points raised in the letters referred to, during which Mr. James pointed out that a number of small banks, particularly in the Minneapolis and Atlanta Districts, feel that they must charge exchange in order to supplement their earnings. In connection with the suggestion that nonmember banks be relieved of the necessity of paying shipping charges on currency and coin, Mr. Bethea stated that when Mr. Peyton's letter was received he had looked into the practice of the Federal reserve banks in shipping currency to nonmember banks and found that only the Federal Reserve Bank of New York absorbs charges on such shipments, resulting in a monthly expense of approximately $2,000; that the Board had questioned the absorption of these charges by the New York bank and expressed the view that, so far as practicable, the services of the Federal reserve banks should be confined to member banks; and that New York had stated that it was felt that, if charges on currency shipments to nonmember banks were not absorbed by the Federal reserve bank a number of nonmember banks in the District would withdraw from the par list.

The Chairman expressed the view that, because of the prospective earning position of the Federal reserve banks, careful consideration should be given to any suggestion involving the absorption of additional expenses by the banks. He also pointed out that banks should consider the fact that the cashing of works checks tendered to them released funds in their respective communities from which they would benefit.
At the conclusion of the discussion, upon motion by Mr. Szymczak, the Secretary was requested to prepare a reply to Mr. Peyton along lines suggested during the discussion.

Reference was then made to the letter dated June 12, 1935, from Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, which was discussed at the meeting of the Board on September 28, 1935, and which inquired whether certain agency accounts in the foreign department of the Industrial Trust Company, Providence, Rhode Island, are deposits within the meaning of section 19 of the Federal Reserve Act. Mr. Hamlin had attached a memorandum to the file in which he stated that he had discussed the matter with Mr. Young, Governor, Mr. Curtiss, Federal Reserve Agent, and Counsel for the Federal Reserve Bank of Boston; that he was in agreement with the opinion expressed in Mr. Curtiss' letter of October 10, 1935, that such accounts were not deposits but purely foreign exchange transactions; and that he believed that opinion should be accepted by the Board. Mr. Szymczak stated that before any action was taken by the Board he would like to have an opportunity to review again the opinions of counsel for the Federal reserve bank and for the Board.

Accordingly, action on the matter was deferred.

The Chairman then advised the members of the Board that Mr. Coolidge, Under Secretary of the Treasury, had called him on the telephone this morning and was disturbed by the fact that information regarding his discussion with the Board and the Federal Open Market
Committee on October 24, with respect to the issuance by the Treasury Department of savings bonds had been given to the newspapers. Mr. Eccles called attention to the fact that there had been previous occasions when information as to the matters discussed at meetings of the Board and votes cast in connection with actions taken, had leaked out, and that he felt the members should be as careful as possible to refrain from making statements outside of Board meetings in connection with matters discussed or actions taken at the meetings so that nothing would be said from which deductions could be made.

Mr. Szymczak said that he had been disturbed, following the meeting on September 17, 1935, at which he had voted against furnishing copies of the tentative drafts of regulations of the Board to the public generally, to find that someone had informed the press that the Board had voted four to one to make the drafts of regulations available. Mr. Miller referred to the provisions of the by-laws which bear on this matter.

The Chairman called attention to the procedure in effect under which it is understood that any information to be given to the press regarding the Board's business is to pass through the Chairman's office and requested that that procedure be carefully followed in the interests of proper administration.

Mr. Miller stated that, in the Board's new building, the Board members' section will not be open to the general public and that he was inclined to the opinion that newspaper men should not be permitted to have access to that portion of the building.
Mr. O'Connor suggested that the Board should take steps to ascertain how the information with respect to the discussion at the meeting on October 24 reached the press.

The Chairman stated that he did not think action by the Board was necessary and that the reason for calling the matter to the attention of the members of the Board at this time was to avoid the repetition of the incident in the future.

Mr. Miller referred to the discussion at the meeting of the Board on October 18, 1935, with regard to the possibility of the erection by the Board at some future time of a building on the North side of C Street, across the street from the Board's new building, and to the question whether provision should be made at the time of the erection of the new building for access to a tunnel connecting the two buildings. He stated that he had attended a meeting of the National Capital Park and Planning Commission on Saturday, October 19, 1935, at which the matter had been discussed, and that the Commission had agreed to reconsider its previous decision that it would not permit the construction of a bridge over C Street connecting the two buildings, and had requested the architect to prepare a design for a bridge and to supply additional information in connection with the construction of a tunnel under C Street. Investigation was being made, Mr. Miller said, of the possibility of lowering the steam line running along C Street to a point where the tunnel could be constructed above the sewer line rather than below and that he would appreciate it if the Board would authorize the Building Committee to take
such steps, in the event the Commission will not give its approval for
the erection at a later time of a bridge connecting the two buildings,
and in the event the Committee and the architect decide that the best
solution of the problem is the erection of a tunnel, to authorize the
architect to make provision in the plans for the erection of the tunnel
at the time the new building is constructed.

Mr. O'Connor moved that the matter be
left entirely to the discretion of the Build-
ing Committee.

Unanimously approved.

Mr. O'Connor stated that the Federal Trade Commission had initi-
ated negotiations with him for the rental of an apartment house building
in Washington which is held in the assets of a national bank now in re-
ceivership, and that he believed arrangements would be consummated under
which the building would be made available to the Commission.

Reference was then made to the procedure to be followed by the
Board in the consideration of the drafts of regulations prepared by the
staff following the passage of the Banking Act of 1935. The Chairman
stated that Mr. Szymczak had suggested that, prior to the consideration
of the regulations at formal meetings of the Board, it might be well to
hold informal conferences at which the members of the staff could outline
the changes in the new regulations, the recommendations made by the
staff on the comments received from the Federal reserve banks, and the
important questions and matters of policy which would require a decision
by the Board. Mr. Szymczak stated that his thought in making the
suggestion was that such a procedure would thoroughly familiarize the Board members with the important questions involved and enable expeditious action to be taken on the regulations.

Mr. O'Connor said that he would appreciate it if Mr. Folger, Chief National Bank Examiner, and one of the Deputy Comptrollers of the Currency, could attend such meetings in order that they may be in a position to discuss the regulations with officers of national banks.

At the conclusion of the discussion, the Chairman stated that he would request the staff to arrange a schedule of conferences to be held on afternoons or evenings when the drafts of regulations could be discussed in accordance with Mr. Szymczak's suggestion and that the conferences could be attended by the members of the Board who desired to do so.

The Board then acted upon the following matters:

Letters dated October 24, 1935, approved by five members of the Board, to the secretaries of the Federal Reserve Banks of New York and San Francisco, each advising that the Board notes with approval the establishment by the bank without change on October 17, 1935, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Bond in the amount of $50,000, executed under date of October 17, 1935, by Mrs. Genevieve M. Barnett as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

Approved unanimously.

Telegram dated October 25, 1935, approved by five members of
the Board, to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Retel October 22. Board approves appointment of George Winship as member Industrial Advisory Committee your district for unexpired portion of term ending February 28, 1936, to succeed William A. Parker, resigned."

Approved unanimously.

Letter dated October 23, 1935, approved by five members of the Board, to Mr. Ivan P. Ruff, Boulder, Colorado, reading as follows:

"This refers to your letter dated October 14, 1935, regarding the rate of interest payable upon your time certificates of deposit. You state that you hold some time certificates of deposit in a State bank that is a member of the Federal Deposit Insurance Corporation, which certificates bear date of December 1, 1934, and are due and payable twelve months after date with interest at the rate of 3 per cent per annum. You also state that there is stamped on each of these certificates with a rubber stamp the following clause: 'The rate of interest payable on this Certificate is subject to such changes as may be required by the Federal Reserve Board'.

"You request to be advised whether the maximum rate of 2 1/2 per cent per annum, which was prescribed by the Board effective February 1, 1935, is applicable to these certificates of deposit or whether the bank may pay interest on such certificates at the rate of 5 per cent per annum until maturity.

"You do not expressly state that the bank in which these deposits were made is a member of the Federal Reserve System but it is assumed that such is the case. Since you do not inclose copies of these certificates and do not give all of the necessary information concerning them, it is impossible for the Board to give you a definite answer to the question presented in your letter. However, if these certificates could not legally be terminated or modified by the bank at its option or without liability, the mere fact that the above-quoted words were stamped upon the certificates of deposit would not require the bank to reduce the rate of interest on such certificates from 3 per cent to 2 1/2 per cent per annum.

"Your attention is invited to a ruling by the Board upon this question which was published at page 107 of the February, 1935 issue of the Federal Reserve Bulletin, a copy of which is inclosed herewith.

"If the assumption of the Board that the bank in question is a member of the Federal Reserve System is not correct, neither the..."
provisions of Regulation Q nor the ruling contained in the in-
closed issue of the Federal Reserve Bulletin would be applicable
to the certificates of deposit. If the bank which issued the cer-
tificates is a member of the Federal Deposit Insurance Corporation
and is not a member of the Federal Reserve System it is suggested
that you communicate with the Federal Deposit Insurance Corpora-
tion concerning the rate of interest payable on these certificates.
If any further inquiry regarding these certificates is necessary,
it is suggested that an exact typewritten copy of both sides of
the certificate be inclosed with such inquiry."

Approved unanimously.

Letter dated October 24, 1935, approved by five members of the
Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank
of Chicago, reading as follows:

"Receipt is acknowledged of Mr. Young's letter of October 10,
1935, and its inclosures, relating to the holding company affiliate

Pursuant to the request of that corporation, the Board has
determined that Deere & Company is not engaged, directly or indirect-
ly, 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. Accordingly,
that corporation 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 of advice to Deere & Company
which you are requested to transmit to that corporation. A copy of
the letter is also inclosed for your files. If you have not already
done so, it may be desirable for you to call specific attention to
the fact that the Board's action does not affect the holding com-
pany affiliate status of Deere & Company for the purposes of section
23A of the Federal Reserve Act.

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. In this connection it is requested
that you advise the Board if, at any time, you believe that this
matter should again be considered by it."

Approved unanimously, together with a
letter to Deere & Company, Moline, Illinois,
reading as follows:

"This refers to the request of your corporation, made in its
letter of October 9, 1935, to the Federal Reserve Bank of Chicago,
that the Board determine that it 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. A copy of the letter, and its inclosures, was forwarded to the Board for its consideration.

The Board understands that your corporation owns 1,910 of the 2,000 outstanding shares of stock of Moline National Bank, Moline, Illinois; that the cost of such stock to your corporation was $319,925; that such stock was purchased for the sole purpose of providing banking facilities for the City of Moline, all of the banks in that city having closed in January 1933 or prior thereto; that your corporation's principal factories and offices are located in Moline; that your corporation felt that it was necessary to organize a bank in that city for the benefit of its employees and others in the community; that your corporation owns or controls insignificant amounts of the stocks of three other banks (including one in liquidation) which were acquired in settlement of debts or claims against closed banks; and that your corporation does not hold stock of, or manage or control, any other bank.

It is understood that your corporation was organized and is operated for the purpose of manufacturing and selling agricultural implements and has been engaged in that business throughout its history. It is also understood that all of the active subsidiaries of your corporation, other than Moline National Bank and another corporation owning cut-over timber lands, are operated for similar purposes. It is noted that the general balance sheet of your corporation (not consolidated), as of October 31, 1934, showed that your corporation had assets in the amount of $84,557,940.30, the principal items of which were as follows:

- Land, buildings and equipment: $14,543,811.65
- Merchandise inventories: $11,249,122.26
- Capital and surplus of subsidiaries: $25,692,565.59
- Due from subsidiaries: $22,320,279.62

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

If, however, your corporation acquires control over any other bank or if the facts should, at any time, differ from those set out above to an extent which would indicate that your corporation might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the
"Board for its determination. The Board reserves the right to make further determination of this matter at any time on the basis of the then existing facts."

Letter dated October 22, 1935, approved by four members of the Board, to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, prepared in accordance with the action taken at the meeting of the Board on October 21, and reading as follows:

"Your letter of October 19, 1935, has been presented to the Board which requests that you be advised that it sees no objection to the Federal Advisory Council meeting in Washington on November 20 and 21, instead of on November 18 and 19, the regular meeting dates.

"The Board has also requested me to confirm the understanding set forth in the last paragraph of your letter that the Board will meet with the Council on Thursday, November 21, following the Council's separate sessions."

Approved unanimously.

Letter dated October 23, 1935, approved by five members of the Board, to Governor Young of the Federal Reserve Bank of Boston, prepared in accordance with the action taken at the meeting of the Board on October 21, and reading as follows:

"Your letter of October 19, 1935, extending to the members of the Board, on behalf of the stockholders' advisory committee of the First Federal Reserve District, an invitation to attend the annual meeting of the stockholders of the Federal Reserve Bank of Boston which will be held at the Federal reserve bank on Friday, November 8, 1935, has been brought to the attention of the members of the Board and I have been requested to advise you that Mr. Hamlin, and also Mr. James if he can so arrange his affairs, will represent the Board at the stockholders' meeting."

Approved unanimously.

Letter to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:
"It is understood that certain of the employees in your department act for you in the issue and retirement of Federal Reserve notes although the Board has not approved their appointment to act in such capacity and although they have not executed the required bond.

"As you know, section 4 of the Federal Reserve Act provides that, subject to the approval of the Board, the Federal Reserve Agents shall appoint one or more assistants, who shall be persons of tested banking experience, and also provides that the Board shall require such bonds of the assistant Federal Reserve agents as it may deem necessary for the protection of the United States.

"In view of the above provision, the Board is of the opinion that only such persons as are duly qualified and properly bonded to act for the Federal Reserve Agent may perform the duties of the Federal Reserve Agent or act in his name and stead during his absence or disability, in connection with the issuance or retirement of Federal Reserve notes. It is also the opinion of the Board that even though such an assistant is not given the official title of Assistant Federal Reserve Agent, nevertheless, he should be duly qualified and properly bonded in the same manner as an Assistant Federal Reserve Agent before he is permitted to perform the duties of the Federal Reserve Agent in issuing and retiring Federal Reserve notes. In this connection, it should be observed that individual bonds with surety must be obtained even though the acts of the person acting for the Federal Reserve Agent are covered by a bankers' blanket bond. This position was stated by the Board in a letter to all Federal Reserve Agents dated June 11, 1924 (X-4083).

"Accordingly, the Board requests that hereafter only such persons as are duly qualified and properly bonded to act for the Federal Reserve Agent, regardless of their official title, be permitted to perform any of the duties of the Federal Reserve Agent in connection with the issuance and retirement of Federal Reserve notes. If you desire that the persons who are now performing such functions continue to do so, please apply to the Board for its approval of the appointment of such persons and in such application state the specific functions which they are to perform. Also, please have such employees execute a surety bond in the amount of $50,000 on the inclosed form. Before forwarding the new bonds to the Board for approval, please have your counsel examine them to determine whether their execution complies fully with the rules on the reverse side of the inclosed form.

"It will be appreciated if you will advise the Board of the action taken to comply with the request contained in this letter."

Approved unanimously, together with a similar letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York.
Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"In your letter of September 18, 1935, advising of your conclusions respecting the applicability of section 32 of the Banking Act of 1933 to certain officers and directors of banks in the Marine Midland Group, you also refer to the service of Mr. J. Lester Parsons as director of The Marine Midland Trust Company of New York, New York, New York, as officer and director of The Hutchins Investing Corporation and The Reserve Investing Corporation, both of New York, New York, and of The Hutchins Securities Company, Jersey City, New Jersey. In this connection, you inclosed a copy of a letter from Mr. Parsons dated September 3, 1935, regarding the nature of the business engaged in by these three companies. In that letter, Mr. Parsons makes the following statement:

'In the purchase and sale of securities in their portfolios, the investment companies do not exceed the ordinary operations of investing for their sole account. They in name and in practice are only investment companies. All purchases and sales of securities are made in open market. The companies do not act as agents, brokers, factors or underwriters.'

"Under the circumstances, you state that it appears that Mr. Parsons' relationships will not come within the provisions of section 32 as amended by the Banking Act of 1935 effective January 1, 1936, and in view of this fact and in view of the fact that there is every indication that Mr. Parsons' relationships are not subject to the provisions of section 32 in its present form, you do not believe it necessary, unless otherwise instructed by the Board, to request Mr. Parsons to submit the detailed information necessary to determine definitely the latter question.

"In the circumstances, it does not appear to be necessary to require the submission by Mr. Parsons of such further detailed information.

"In considering these matters, it was noted that the use of the word 'reserve' in the name of The Reserve Investing Corporation possibly involves a violation of section 2 of the Act of May 24, 1926 (44 Stat. 623), as amended, making it unlawful for a corporation engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, or trust business to use the word 'reserve' in its corporate name. It will be appreciated if you will advise the Board whether in your opinion there is any reason why this should not be reported by the Board to the Attorney General in the usual manner as a possible violation of the statute referred to."

Approved unanimously.
Letter dated October 23, 1935, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"In connection with the revision of the Board's Regulation L dealing with interlocking bank directorates under the Clayton Act, the question has arisen whether a cooperative bank organized under the laws of Massachusetts should be considered a 'bank, banking association, savings bank, or trust company' within the meaning of section 8 of the Clayton Act.

"As you are aware, the Board stated, in its letter of December 2, 1919 to Mr. Charles F. Gettemy, that a cooperative bank organized under the laws of Massachusetts was a banking association within the meaning of section 8 of the Clayton Act.

"However, in a ruling published at page 426 of the Federal Reserve Bulletin for June 1928, the Board took the position that such cooperative banks should not be classified as banks within the meaning of section 19 of the Federal Reserve Act in computing amounts 'due to' banks. Furthermore, it was stated in that ruling that such cooperative banks appeared to be similar in purpose and functions to building and loan associations, and the Board has felt that the usual type of building and loan association should not be regarded as a bank or banking association within the meaning of the Clayton Act.

"However, the question whether such cooperative banks were 'banks' within the meaning of the Clayton Act became moot shortly after the publication of this ruling in the Bulletin, since the Clayton Act was amended so as to except from the prohibitions of section 8 institutions 'which do no commercial banking business'. Cooperative banks were found to come within this exception; and the subsequent enactment of section 8A of the Clayton Act did not bring them within the purview of the statute, since they did not make loans secured by stock or bond collateral. Accordingly, there was no occasion for a further consideration of the question until the enactment of the Banking Act of 1935.

"In the circumstances, the Board would appreciate your views and those of counsel for your bank as to whether cooperative banks in Massachusetts should be considered 'banks' or 'banking associations' within the meaning of section 8 of the Clayton Act as amended."

Approved unanimously.
Thereupon the meeting adjourned.

Approved:

[Signature]

Chairman.

Secretary.