

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, October 26, 1935, at 10:30 a. m.

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

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

The Board acted upon the following matters:

Letters to the chairmen of the Federal Reserve Banks of Minneapolis and Dallas, advising that the Board notes with approval that the banks on October 21 and 23, 1935, respectively, established without change the rates of discount and purchase in effect at the banks.

Approved unanimously.

Memorandum dated October 23, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Elizabeth Player Tappy as a clerk in the Division, with salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed a satisfactory physical examination.

Approved unanimously.

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

"By letter dated July 10, 1935 The Chase Bank, a corporation organized under section 25(a) of the Federal Reserve Act, requested the Board's permission to participate in a plan which was designed to make it easier for the French investing public to deal in American securities and under which The Chase Bank would issue in France bearer certificates evidencing the

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"deposit with it in New York of certificates for shares of certain stocks listed on the New York Stock Exchange.

"Although in the same letter The Chase Bank also requested the Board's permission to perform in Paris, France, general 'corporate agency' powers, it was understood that the only activities in which the Bank had any definite intention of participating in the immediate future were those incidental to the specific plan designed to facilitate the purchasing and selling in France of listed American stocks and it was accordingly only with respect to this specific plan that the Board's letters of July 31, 1935 and September 9, 1935 were written.

"In the last paragraph of its letter addressed to your bank under date of September 25, 1935 The Chase Bank has explained that the burden of French taxes and regulations would be so great that the issue of bearer certificates as previously contemplated would be impracticable and that the permission desired in respect to the specific plan referred to above would not be needed. While it is thus clear that the specific plan has been abandoned for the present, it is equally clear from the final sentence in the letter that the Bank still does desire the Board's permission to exercise the so-called 'corporate agency' powers which were referred to in the Bank's initial letter of July 10, 1935 in the following language:

'To accept and hold securities deposited with it in Paris, France, in safekeeping or as custodian or under deposit agreements or as agent; and to issue in Paris, France, in its own name or as agent, certificates and receipts in Bearer and registered form for securities so deposited.'

"The Board is of the opinion that it is not justified in granting The Chase Bank permission to engage in activities of the character referred to if it is not the Bank's definite intention, should the permission be given, to proceed promptly to engage in such activities or to hold itself out to the public as ready to do so. Accordingly, you are requested to ascertain whether the Bank's request relates to a program which has been definitely formulated and to advise the Bank that the Board is unable to grant its application if the permission is desired merely because the Bank wishes to be able to undertake all or some of such activities at an indefinite time in the future without the necessity of obtaining at that time the permission of the Board on the basis of its plans as then evolved.

"Assuming that the permission of the Board is sought with respect to activities in which the Bank wishes to engage in

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"the immediate future, it will be appreciated if you will obtain information from the Bank on the following points:

"1. The Board desires further information as to the nature of certificates which will be issued by The Chase Bank to evidence the deposit of securities received in the exercise of its 'corporate agency' functions. As is indicated by the Board's letter of September 9, 1935 the propriety of the issue of certificates, capable of being classified as 'securities', by an organization which is at the same time engaged in the business of receiving banking deposits must be considered in the light of several prohibitions contained in the Banking Act of 1933. It is not understood whether the statement in the Bank's letter of September 25, 1935 that the burden of French taxes and regulations makes the issue of bearer certificates impracticable referred only to the specific plan which has now been abandoned or whether it was intended to mean that in the exercise of general 'corporate agency' functions it would be impracticable for the Bank to issue certificates of this kind. The Board wishes to know whether the Bank proposes to issue transferable certificates in bearer form or whether it intends to evidence the deposit of securities with it by issuing safekeeping or similar receipts which will presumably not pass from hand to hand. It is evident that if the Bank will exercise the 'corporate agency' functions without the issue of certificates which constitute 'securities' within the meaning of the Banking Act of 1933 no further consideration need be given to certain of the questions arising under that Act.

"2. The Board believes that the information which has been submitted to it should be supplemented in order to show whether the 'corporate agency' functions which the Bank desires to exercise are, in the words of section 25(a) of the Federal Reserve Act, 'usual * * * * in connection with the transaction of the business of banking or other financial operations' in France. In its letter of July 10, 1935 The Chase Bank enumerated several cases in which there had been issued in France bearer certificates of deposit similar to those which it intended to issue against the receipt in New York of shares of listed stocks. The 'corporate agency' functions with respect to which the Board's permission is now requested are broader in scope than the activities under the specific plan with respect to which the permission of the Board was previously desired and it is apparent that with respect to certain of the activities now in question no information has been submitted to the Board indicating that such activities are of a character usual in the conduct of financial operations in France.

"3. In its letter dated July 31, 1935 the Board requested you to obtain from The Chase Bank certain assurances with respect

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"to the nature of the Bank's interest in securities deposited with it under the now abandoned plan calling for the issuance of bearer certificates in France. The assurances given in the letter dated August 8, 1935 from The Chase Bank related to this specific plan and the Board now desires to receive similar assurances with respect to the role which the Bank will play in relation to securities deposited with it in the event of its exercise of the 'corporate agency' functions which constitute the basis of the present application.

"It is believed that complete answers to the foregoing matters will furnish the Board the specific information which is necessary in order that it may possess a more accurate conception of the activities which the Bank wishes to exercise than is obtainable from the general language in which the desired permission was phrased in the Bank's letter of July 10, 1935. If after receiving a reply from the Bank it seems to you that the information available is still so general in character as not to afford a satisfactory idea of what the Bank proposes to do, it will be appreciated if you will obtain such further information as to you seems desirable."

Approved unanimously.

Memoranda dated October 23, 1935, from Mr. Owens, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin statements, in the form attached to the memoranda, with respect to (1) the Board's recent rulings regarding the type of indebtedness which must be reported by executive officers under the provisions of section 22(g) of the Federal Reserve Act, and (2) the making of a determination by the Board, under the provisions of section 301 of the Banking Act of 1935, that an organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks.

Approved unanimously.

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

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"Receipt is acknowledged of your letter of October 11, 1935, in which you refer to your intention to appoint Mr. O. S. Powell as Assistant Federal Reserve Agent at your bank to succeed Mr. Bailey, who will become eligible for retirement on November 7, 1935, and in which you suggest that the bond now in effect covering Mr. Powell in acting for the Federal Reserve Agent in the performance of certain duties be left in effect until the matter of the appointment of Mr. Powell is determined.

"In view of the circumstances set forth in your letter, the Board of Governors of the Federal Reserve System will interpose no objection to the continuance of Mr. Powell's present bond in accordance with your suggestion. Should the appointment of Mr. Powell as Assistant Federal Reserve Agent not be made as proposed in your letter, and it is desired to have him continue to act for the Federal Reserve Agent in certain capacities, a new bond in the form inclosed with the Board's letter of October 8, 1935, should be executed promptly and forwarded to the Board for approval in the usual way."

Approved unanimously.

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

"There is inclosed a copy of a letter dated September 11, 1935, from Mr. S. M. Jamison, Cashier of The First National Bank of Apollo, Apollo, Pennsylvania, addressed to the Comptroller of the Currency and referred to the Board for reply with respect to the inquiry contained in the third paragraph thereof regarding the service of an employee of The Mellon National Bank of Pittsburgh, Pittsburgh, Pennsylvania, as a director of The First National Bank of Apollo.

"In view of the fact that the banks involved are said to be thirty miles apart, it seems probable that section 8 of the Clayton Act as amended by the Banking Act of 1935 is not applicable to the relationships involved. However, the Board is without sufficient information to determine the question definitely, and therefore it will be appreciated if you will ascertain such facts as you may deem necessary in the light of the Board's letter of October 11, 1935 (X-9341), and advise The First National Bank of Apollo. Of course, if you are unable, with the assistance of counsel for your bank, to determine whether section 8 is applicable to the relationships involved, the Board will be glad to consider the matter upon

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"receipt of full information, together with such comments as you may desire to make."

Approved unanimously.

Thereupon the meeting adjourned.

C. Ester Morrie
Secretary.

Approved:

J. J. Thomas
Vice Chairman.