

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, November 2, 1935, at 11:30 a. m.

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

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

The Committee acted upon the following matters:

Letters to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, Mr. Sproul, Secretary of the Federal Reserve Bank of New York, Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating respectively that the Board approves the establishment without change by the Boston bank on October 30, by the New York bank on October 31, by the St. Louis bank on October 30, and by the San Francisco bank on October 31, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Your telegram November 1. Board's resolution of December 23, 1915, contained in circular number 21 series of 1915 still effective and under this resolution N. T. Edwards would not be eligible to serve as Class A director of Federal Reserve bank if at the same time he occupies position of State Senator. However, his name may be omitted from list of nominees only upon request of all member banks which nominated him. Accordingly, it is suggested that you notify banks which nominated candidate of

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"Board's views and omit name from list if nomination is withdrawn at request of all such banks. In notifying such banks reference should be made to expression of Board's views in footnote appearing in letter sent to all member banks in your district by Deputy Chairman of Board of Directors of your bank under date of September 27, 1935. It is suggested that you also notify candidate of Board's views. If nomination is not withdrawn by all nominating banks but candidate signifies desire to withdraw his name from consideration Board feels that you should bring such fact and reasons therefor to attention of all voting banks either by notation on list of candidates or by letter inclosed with such list."

Approved unanimously.

Letter to the board of directors of the "Washington State Bank", Washington, Iowa, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's applications for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved unanimously for transmission through the Federal Reserve Agent at Chicago.

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

"Receipt is acknowledged of your letter of August 27, 1935, regarding the application for membership which has been filed with your office by the First Security Bank, of Beaverton, Oregon.

"Under the provisions of Section 345 of the Banking Act of 1935 the capital of a bank applying for membership and which has outstanding any capital notes or debentures of the type which the Reconstruction Finance Corporation is authorized to purchase pursuant to the provisions of Section 304 of the Emergency Banking and Bank Conservation Act approved March 9, 1933, as amended:

'.....may be deemed to be unimpaired if the sound value of its assets is not less than its total liabilities, including capital stock, but excluding such

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"capital notes or debentures and any obligations of the bank expressly subordinated thereto."

"Accordingly, if the sound value of the assets of the First Security Bank of Beaverton is equal to the total of its liabilities (exclusive of the liability for capital debentures sold to the Reconstruction Finance Corporation) and the par value of its capital stock, the bank may be considered as having an unimpaired capital, and, therefore, as you have assumed, eligible for membership in the System.

"According to your letter of January 29, 1935, the First Security Bank of Beaverton was formerly the Gaston State Bank, which was permitted to move to Beaverton upon the condition that its capital be increased from \$10,000 to \$25,000. It is assumed that in considering the application of the bank you will satisfy yourself whether or not the capital increase was legally effected, inasmuch as in your letter dated January 29, 1935, it was stated that the increase in common capital stock was effected in part by the use of some of the proceeds of the sale of capital debentures, which, if true, might raise a question as to the validity of the increase in capital."

Approved unanimously.

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

"In accordance with your recommendation, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at Shrewsbury, Pennsylvania, by the York Trust Company, York, Pennsylvania, provided the establishment and operation of such branch is approved by the appropriate State authorities. Please advise the bank accordingly and forward copies of any amendment to the articles of incorporation which may be effected in connection with the transaction."

Approved unanimously.

Memorandum dated October 25, 1935, from Mr. Smead, Chief of the Division of Bank Operations, submitting a copy of the balance sheet (Form 34) used by the Federal reserve banks during 1935 in transmitting daily condition reports to the Board on which had been indicated certain

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proposed changes, and recommending that such proposed changes be incorporated in the form of balance sheet to be used by the banks during 1936. The memorandum discussed certain of the proposed changes and called attention to the fact that the item "Board of Governors - building account", had been eliminated from the proposed balance sheet for 1936 in order to conform with the recommendation of the recent Governors' Conference that assessments levied by the Board of Governors of the Federal Reserve System, to purchase a site and construct a building to house the Board, be charged to profit and loss by the Federal Reserve banks.

Approved unanimously.

Memorandum dated October 28, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending approval of a proposed revision of weekly statement of condition of reporting member banks in the form attached to the memorandum, and of the following explanatory memorandum to accompany the first issue of the statement in the revised form:

"Beginning this week the weekly condition statement of reporting member banks, issued by the Board of Governors of the Federal Reserve System, will cover reporting banks in 101 leading cities as it did prior to the banking holiday in 1933, instead of 91 cities as in the recent past. When publication of the statement was resumed following the banking holiday, 11 cities were dropped from the published statement temporarily because all or some of the important reporting banks in each of those cities had not then been licensed to resume full banking operations.

"The weekly statement has been revised further so as to show additional items which have been reported to the Board

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"since September 1934. The amount of 'Loans to banks' was included heretofore partly in 'Loans on securities - to others' and partly in 'Other loans'. The item 'Demand deposits - adjusted' represents the total amount of demand deposits standing to the credit of individuals, partnerships, corporations, associations, States, counties, municipalities, etc., minus the amount of cash items reported as on hand or in process of collection. The new item is a more accurate measure of changes in the volume of demand deposits available for use of the general public than was the old item 'Net demand deposits', which represented merely demand deposits subject to legal reserve requirements. The method of computing the item 'Net demand deposits', furthermore, has been changed in two respects in accordance with provisions of the Banking Act of 1935: first, it includes United States Government deposits, against which reserves must now be carried, while previously these deposits required no reserves, and, second, amounts due from banks are now deducted from gross demand deposits rather than solely from amounts due to banks, as was required under the old law. These changes make the present item 'Net demand deposits' not comparable with the same item as shown prior to August 23, 1935. The item 'Time deposits' differs from that previously published in that it formerly included a relatively small amount of time deposits of other banks, which are now included in 'Inter-bank deposits'. The item 'Due to banks' shown heretofore in the statement included only demand balances of domestic banks. The item 'Borrowings' represents funds received, on bills payable and rediscounts, from the Federal Reserve banks and from other sources. Figures are shown also for 'Capital account', 'Other assets - net' and 'Other liabilities'. By 'Other assets - net' is meant the aggregate of all assets not otherwise specified, less cash items reported as on hand or in process of collection which, as previously indicated, have been deducted from demand deposits.

"Data by weeks since September 5, 1934, for all reporting member banks, for reporting banks in New York, and for those in other leading cities, corresponding with the figures for the current week, will be published in the forthcoming issue of the Federal Reserve Bulletin."

The memorandum also stated the Division of Bank Operations had been looking into the desirability of recommending to the Board that a condensed condition report be obtained monthly from all member banks, but that a definite recommendation on this question had been withheld pending

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further study and pending the revision of the form of quarterly call report, a tentative draft of which will be presented to the Board in the near future; that it was thought that if monthly reports should later be obtained from all member banks, it may be practicable to discontinue obtaining weekly reports from most of the present reporting banks, and that if this were done the present series covering 101 cities, or some modification thereof, could be continued on a monthly basis to provide comparable figures for a year or so.

Approved unanimously.

Letter to Governor Norris of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of October 17, 1935, regarding the abstraction of a certificate for shares of stock valued at \$15 by Mr. Bertram H. Bradshaw, formerly employed as a clerk in the transit department of your bank. In view of all the circumstances involved and particularly in view of the small amount involved, you request to be advised whether the Board considers it necessary that this case be reported to the Department of Justice.

"While it is appreciated that the circumstances involved are such that the Attorney General of the United States might decide not to prosecute, nevertheless, the Board feels that a failure to report a possible criminal violation by an employee of a Federal Reserve bank might subject the Board and the Federal Reserve bank to unfavorable comment, in view of the fact that numerous cases involving apparent criminal violations by employees of member banks have been reported to the Department of Justice. Accordingly, it is requested that you report the facts in the present case to the local United States District Attorney and forward three copies of such report to the Board for transmittal to the Attorney General in accordance with the usual practice in such cases. As noted in the Board's letter of April 4, 1923 (X-3683), it will not be improper for you to recommend clemency if you still feel that the circumstances justify such a recommendation."

Approved unanimously.

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

"Mr. Gidney's letter of June 27, 1935, regarding the status of Mr. F. C. Ferguson under the Clayton Act, referred to the fact that the Board had issued a permit authorizing him to serve as director and officer of Hudson County National Bank, Jersey City, New Jersey, as director and officer of Merchants Trust Company, Union City, New Jersey, and as director of West Bergen Trust Company, Jersey City, New Jersey; that Mr. Ferguson was no longer serving the West Bergen Trust Company; that he had, however, been serving as director and officer of Ampere Bank and Trust Company, East Orange, New Jersey, but had tendered his resignation on February 6, 1935, and had not served as director or officer since that time, although his resignation had not been accepted by the trust company.

"In view of the provisions of section 8 of the Clayton Act, as amended by the Banking Act of 1935, and in view of the Board's letter of September 16, 1935 (X-9318), it appears that Mr. Ferguson was 'lawfully serving' the Hudson County National Bank and the Merchants Trust Company on the date of the enactment of the Banking Act of 1935 and that the prohibitions of section 8 will not be applicable to such relationships until February 1, 1939.

"Since neither the Merchants Trust Company nor the Ampere Bank and Trust Company is a member bank, the question whether Mr. Ferguson may now serve the Ampere Bank and Trust Company apparently depends upon whether or not East Orange is 'contiguous or adjacent' to Jersey City. The Board does not know whether Mr. Ferguson now desires to serve the Ampere Bank and Trust Company; but, in the event that you feel that it is desirable to advise him whether or not he may do so, it is suggested that you give consideration to the matter in the light of the Board's letter of October 11, 1935 (X-9341). Of course, if you feel that the matter should be considered by the Board, the Board will be glad to do so upon receipt of full information and such comments as you may care to make."

Approved unanimously.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to the applications of Mr. R. Wallace

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"Karraker, Jonesboro, Illinois, and Mr. John B. Jackson, Anna, Illinois, for permission under the provisions of the Clayton Act to serve at the same time as directors and/or officers of The First National Bank of Jonesboro, Jonesboro, The Anna National Bank, Anna, and First State Bank, Dongola, all of Illinois.

"It appears that Dongola, which has a population of about 600, is located about ten miles from Jonesboro and Anna, which have populations of approximately 1200 and 3400, respectively, but that Jonesboro and Anna are not over a mile apart. In the circumstances, it would seem that Dongola is probably not 'contiguous or adjacent' either to Jonesboro or Anna, but that Jonesboro and Anna are probably 'contiguous' or 'adjacent' to each other within the meaning of those words as interpreted in the Board's letter of October 11, 1935 (X-9341). If these suppositions are correct, section 8 would prohibit these gentlemen from serving both the Jonesboro and Anna banks, but it would not prohibit their serving the Dongola bank and either one of the other banks.

"However, in that event the applicants could nevertheless continue to serve both the Jonesboro and Anna banks, as well as the Dongola bank, until March 1, 1936 or until the adoption of general regulations by the Board, whichever is the earlier, pursuant to the permission granted in the Board's resolution of September 12, 1935, a copy of which was forwarded you with the Board's letter of September 13, 1935 (X-9317). As you know, that resolution granted permission to any person who had filed an application for permission to serve two or more banks, which had been received at the offices of the Board on or before August 23, 1935, and on which the Board had taken no action prior to that date, to serve any member bank named in such application and any other one bank named in such application, in addition to any service otherwise lawful under the Clayton Act, until the adoption of general regulations by the Board or until March 1, 1936, whichever is the earlier.

"If, in the light of your familiarity with the situation, you agree with the above suppositions regarding the questions whether Dongola, Jonesboro and Anna are 'contiguous' or 'adjacent', it is suggested that you advise the applicants in accordance with this letter. Of course, if you feel that either of these questions should be considered further by the Board, the Board will be glad to do so upon receipt of full information, together with such recommendation as you may desire to make."

Approved unanimously.

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Thereupon the meeting adjourned.

Robert Mowles
Secretary.

Approved:

Geo. P. James
Acting Chairman, Executive Committee.