

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, November 25, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
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 Mr. Helm, Deputy Governor of the Federal Reserve Bank of Kansas City, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the respective banks on November 21, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Re Young's telegram November 22 Board grants an extension of time to December 31, 1935, within which 'Citizens Trust and Savings Bank of South Bend, Indiana,' may accomplish its membership in the Federal Reserve System. Please advise the bank accordingly."

Approved unanimously.

Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, referring to the application of "The Citizens State Bank", Reynolds, Georgia, for permission to withdraw immediately from membership in the Federal Reserve System, and stating

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that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to The Citizens State Bank, the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make refund thereon. The telegram also stated that it was understood that the bank had requested advice from the Federal Deposit Insurance Corporation as to the procedure to be followed in order to retain insurance of deposits as a nonmember bank and that the Federal Deposit Insurance Corporation had requested the bank not to terminate its membership in the Federal Reserve System until such time as arrangements in connection with its proposed application for insurance as a nonmember bank had been completed. The telegram also suggested that the assistant Federal reserve agent endeavor to have the bank defer the termination of its membership in the System until it could simultaneously be accepted as a nonmember insured bank.

Approved unanimously.

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

"In connection with its consideration of the applications of 'The First National Bank of Chicago' and 'First-Chicago Corporation', both of Chicago, Illinois, for voting permits entitling them to vote the stock which they own or control of the 'Uptown State Bank', Chicago, Illinois, the Board has determined that the applicants are 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

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"the Banking Act of 1935, and, accordingly, the applicants are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter addressed to the applicants jointly, advising them 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 applicants. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make further determinations with reference to these organizations 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 this matter should again be considered by it."

Approved unanimously, together with a letter addressed jointly to "The First National Bank of Chicago", Chicago, Illinois, and the "First-Chicago Corporation", Chicago, Illinois, reading as follows:

"This refers to the applications of your corporations for voting permits entitling them to vote the stock which they own or control of the 'Uptown State Bank', Chicago, Illinois.

"The Board understands that The First National Bank of Chicago is engaged in the general banking business and was organized and is operated for that purpose; that The First National Bank of Chicago controls all of the stock of the First-Chicago Corporation; that the First-Chicago Corporation formerly conducted a securities business but is now operated as an investment company and as an instrumentality for holding certain securities for The First National Bank of Chicago and its stockholders; that the First-Chicago Corporation owns all of the stock of the Uptown State Bank, 25.7% of the stock of the Upper Avenue Bank, Chicago, Illinois, 18.66% of the stock of the Liberty National Bank of Chicago, Chicago, Illinois, and less than one per cent of the stock of the First National Bank of Miami, Miami, Florida; that the First-Chicago Corporation also owns all of the stock of the First Trust Joint Stock Land Bank of Chicago, Chicago, Illinois, and 2,104 shares of the stock of The Bank for International Settlements, Basle, Switzerland; that approximately 25% of the assets of the First-Chicago Corporation are invested in bank stocks, including \$253,700 invested in the stock of The Bank for International Settlements; that the assets of The First National Bank of Chicago are

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"approximately 200 times as large as the assets of the Uptown State Bank, its sole subsidiary commercial bank; that neither The First National Bank of Chicago nor the First-Chicago Corporation manages or controls any other commercial bank; and that neither The First National Bank of Chicago nor the First-Chicago Corporation is operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that your corporations are 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, therefore, they are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for them to obtain voting permits in order to vote the stock which they own or control of the Uptown State Bank and, on this basis, the Board will give no further consideration to their applications for such permits.

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

Letter to The National City Bank of New York, New York, New York,
reading as follows:

"Reference is made to our letter of February 8, 1935, in which you were requested to report as of April 1 and October 1 of each year the rates paid on deposits by your foreign offices and by other competing foreign and native banks in each of the countries where your foreign offices are located.

"Since Section 324 (c) of the Banking Act of 1935 has amended the former provision of law so as to except interest on deposits payable only at offices of member banks located outside the States of the United States and the District of Columbia from regulation by the Board, it will no longer be necessary for you to submit the information requested in our letter of February 8, 1935."

Approved unanimously, together with
similar letters to the Guaranty Trust Com-

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pany, New York, New York, Chase National Bank, New York, New York, Bankers Trust Company, New York, New York, First National Bank of Boston, Boston, Massachusetts, and the Bank of America National Trust & Savings Association, San Francisco, California.

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

"Reference is made to your letter of September 13 suggesting that authority be given to deliver \$79,054,250 of Federal Reserve bank notes held in joint custody to the Federal Reserve Bank of New York for the purpose of canceling the notes and shipping them to the Treasury for destruction.

"While it is recognized that it is improbable that there will be any need to issue any of the Federal Reserve bank notes now held in joint custody it is believed that such notes should be held at the Federal Reserve bank until such time as the President has declared by proclamation that the emergency recognized by his proclamation of March 6, 1933 has terminated after which time, as you know, there will be no provision of law permitting the issuance of Federal Reserve bank notes."

Approved unanimously.

Letter to Mr. Coe, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of October 4 requesting authorization for the Federal Reserve bank to make its regular Retirement System contributions in behalf of an employee on leave of absence without pay when the employee does not make his contributions during such period, in order that death and disability benefits provided by the Retirement plan may be continued in effect.

"An employee on leave of absence without pay does not receive service credit during such absence unless regular contributions are made both by the employing bank and by the employee, but is regarded under Section 1 of the Rules and Regulations of the Retirement System as being in active service and accordingly entitled to death and disability benefits provided regular contributions by the employing bank are currently

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"made upon his basic salary. In order to keep his death and disability benefits in effect the Board authorizes your bank, at its discretion, to continue the bank's regular contributions on behalf of an employee on leave of absence without pay on account of illness or disability even though such employee does not make his contributions during such period."

Approved unanimously.

Thereupon the meeting adjourned.

Fraser Morris
Secretary.

Approved:

M. Steele

Chairman.