

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, November 30, 1935, at 10:00 a. m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Wyatt, General Counsel

There was presented a memorandum dated November 25, 1935, from Mr. Wyatt, General Counsel, stating that in order (a) to fill the vacancy created by the resignation of Mr. DuBois as Assistant Counsel and to further strengthen the staff of the legal division by obtaining the services of a man who had had long and intimate experience in handling all types of legal problems for a Federal reserve bank, and (b) to give recognition and encouragement to certain of the younger members of the staff of the division, and thereby to increase the chances of retaining their services, it was recommended that (1) the Board authorize Mr. Wyatt to offer a position as Assistant General Counsel, with salary at the rate of \$8,500 per annum, to Mr. J. P. Dreibelbis who had been one of the attorneys of the Federal Reserve Bank of Dallas since 1924; (2) Mr. Frederic Solomon, law clerk, be promoted to the position of Assistant Counsel and his salary increased from \$2,400 to \$3,600 per annum, effective December 1, 1935; (3) Mr.

11/30/35

-2-

S. E. Seitz, law clerk, be promoted to the position of Assistant Counsel without any change in salary, effective December 1, 1935; and (4) the salaries of Messrs. Joseph T. Owens and John C. Baumann, Assistant Counsel, be increased from \$5,000 to \$5,500 per annum, effective December 1, 1935. The memorandum stated that, for a number of reasons, including the fact that most of the attorneys in the legal division had received substantial increases in the last two years, it was not felt necessary to recommend promotions or increases in salary at the present time for the remaining lawyers in the division. The memorandum also stated that at this time all of the present staff of the division was needed, and, in addition, a man of exceptional ability to fill the vacancy recently created in the office, and that, if the work should diminish materially, an effort would be made to retain the more valuable men and release those who were less valuable, thus raising the average quality of the staff of the division.

The memorandum had been circulated previously among the members of the Board and Mr. Miller stated that he had no objection to approval by the Board of the recommendations, but that he had questioned whether the matter should be handled apart from the consideration by the Executive Committee and the Board of the question of salary adjustments for the entire staff and the budget for the year 1936.

Following a discussion, the recommendations were approved unanimously, with the understanding that the proposed adjustments in salary and changes in title would become effective as of December 1, 1935, and that,

11/30/35

-3-

if the position of Assistant General Counsel were accepted by Mr. Dreibelbis, his appointment would become effective as of the date upon which he entered upon the performance of his duties after having passed satisfactorily the usual physical examination.

In connection with the above matter, Mr. James suggested that, in order that the Executive Committee might follow the wishes of the Board in the preparation of the budget covering the expenses of the Board for the year 1936, the Committee be advised of the Board's attitude with respect to adjustments as of January 1, 1936, in salaries of members of its staff.

Chairman Eccles referred to the position taken in the Board's letter of November 22, 1935, with regard to salaries of officers and employees of the Federal reserve banks and stated that he believed that the Board should follow the same policy with respect to adjustments in salaries of members of its staff.

He then read a draft of a proposed letter to be sent by the Executive Committee to the heads of the various divisions of the Board with respect to the preparation of budgets for the various divisions for the coming year, and stated that he desired to make certain changes in the letter before presenting it to the Committee for approval. The draft of letter was discussed briefly.

At this point Mr. Wyatt withdrew from the meeting.

Consideration was given to a draft of a press statement, which had been prepared pursuant to the request made at the meeting of the

11/30/35

-4-

Board yesterday, with regard to the action of the Board in connection with the appointment of directors of Federal reserve banks and branches.

At the conclusion of the ensuing discussion, during which changes in the statement were suggested, Mr. James moved that the Chairman and Mr. Miller be authorized to prepare a statement to be released on a date next week to be determined upon by them, and that they also be authorized to determine the manner in which the directors affected would be advised of the Board's action.

Carried unanimously.

Mr. Miller left the meeting and upon his return stated that he had talked over the telephone with Mr. Simpson, and had advised him of the reasons for the Board's decision not to reappoint him as a Class C director of the Federal Reserve Bank of Chicago, and that Mr. Simpson had replied that he felt the Board's policy in this matter was a wise one, that he did not believe it would be misunderstood, and that, personally, he was entirely satisfied with the position which the Board had taken.

Chairman Eccles then presented a draft of a letter to Governor Harrison of the Federal Reserve Bank of New York, reading as follows:

"The Board has asked me to write you in response to your letter of November 6, 1935, to Chairman Eccles with respect to the question of financing shipments of goods to belligerent nations. It is the view of the Board that when a Federal reserve bank is asked to express an opinion upon a matter of this kind which involves a question of general policy of the Government, it is advisable, before taking a position concerning it, for the bank to consult the Board, so that the Board may consider the question and determine whether the views of the appropriate department of the

11/30/35

-5-

"Government should be obtained before disposing of the matter. The Board feels, therefore, that this procedure should be followed in the future. In this instance, in view of the serious nature of the problem presented, the Board felt that it should obtain an expression of the views of the State Department. Therefore a letter has been sent to the Secretary of State requesting his consideration of the matter and upon receipt of a reply the Board will respond further to your letter."

Chairman Eccles said that he thought it would be preferable for the Board to delay writing to Governor Harrison regarding the matter referred to in the letter until a reply had been received from the Board's letter to the State Department. He also suggested that the Board might prevent the occurrence of similar situations in the future by addressing a letter to all Federal reserve banks requesting that, in the interest of better organization, all matters arising at the banks in the future which involve important matters of policy which should be taken up with a department or agency of the Government, be sent to the Board for consideration and submission to the appropriate department or agency.

The matter was discussed briefly, and Mr. Hamlin moved that the letter to Governor Harrison be laid on the table pending receipt of a reply from the State Department to the Board's letter of November 19, 1935.

Carried unanimously.

Mr. James stated that he had talked over the telephone with Mr. Newton, Governor of the Federal Reserve Bank of Atlanta, with regard to the agreement of the Board to appoint Mr. H. Warner Martin as a Class C director and to designate him as Chairman and Federal reserve agent

11/30/35

-6-

at the bank, and with regard to the letters dated November 13, 1935, from Mr. Kettig, Deputy Chairman of the bank, with respect to certain personnel and salary adjustments at the bank as of January 1, 1936, and that Governor Newton had advised that the matter had been discussed at the bank with all persons concerned; that it had been agreed that no change should be made at this time in the present arrangement; and that no replies need be made by the Board to the two letters above referred to.

At this point Mr. Thurston withdrew from the meeting and the Board acted upon the following matters:

Letters to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and Mr. Moore, Deputy Chairman of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Boston and San Francisco banks on November 27, and by the Cleveland and Chicago banks on November 29, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 26, 1935, from Mr. Smead, Chief of the Division of Bank Operations, stating that Mrs. Ruth D. Jacquot, whose temporary appointment as a comptometer operator in the division will expire on December 31, 1935, had been absent from duty on account of a serious illness since November 15, and it was understood

11/30/35

-7-

that she would probably not be able to return to duty before the expiration of her appointment. The memorandum recommended that Mrs. Jacquot be granted leave of absence with pay up to, and including November 27, 1935, at which time she would have received about  $26\frac{1}{2}$  days' leave with pay, that being the amount to which she would be entitled at the rate of  $2\frac{1}{2}$  days per month for the entire term of her temporary appointment.

Approved unanimously.

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

"Your letter November 27. Board approves appointments as examiners of Paul R. Fitcher, S. Herbert Turkus and George H. West, whose appointments as assistant examiners have been previously approved by the Board. Please advise the effective dates."

Approved unanimously.

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

"Reference is made to condition numbered 18 of the conditions of membership of 'Watkins State Bank', Watkins Glen, New York. The time specified in such condition within which 'First National of Elmira Corporation', Elmira, New York, shall obtain a voting permit entitling it to vote the shares of stock now or hereafter controlled by it of Watkins State Bank and of its other subsidiary member banks for all purposes, which was previously extended to December 1, 1935, is hereby extended to July 1, 1936. Please inform the bank and the holding company affiliate accordingly."

Approved unanimously.

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

11/30/35

-8-

"Under date of May 29, 1935, you were advised that the Board extended to December 1, 1935, the time within which the 'Shawmut Association' and 'The National Shawmut Bank of Boston' shall each have obtained a voting permit entitling it to vote for all purposes the shares of stock owned or controlled by it of the 'County Bank and Trust Company', Cambridge, Massachusetts, in accordance with condition of membership numbered 18 applicable to the latter bank.

"The Board hereby further extends to July 1, 1936, the time within which condition numbered 18 applicable to the County Bank and Trust Company may be complied with, and it is requested that you advise those at interest accordingly."

Approved unanimously.

Letter 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 17, 1935, and its inclosures, relating to the holding company affiliate status of Sears, Roebuck and Co., Chicago, Illinois.

"Pursuant to the request of that company, the Board has determined that Sears, Roebuck and Co., 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. Accordingly, that company 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 Sears, Roebuck and Co., which you are requested to transmit to that company. A copy of the letter is also inclosed for your files. It is noted that you have already advised such company that the Board's action does not affect its holding company affiliate status 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 con-



11/30/35

-9-

"sidered by it."

Approved unanimously, together with a letter to Sears, Roebuck and Co., Chicago, Illinois, reading as follows:

"This refers to your company's request 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.

"The Board understands that your company was organized and is operated for the purpose of conducting a general mail order and retail store business; that your company owns approximately 30% of the stock of Sears-Community State Bank, Chicago, Illinois; that your company and certain individuals made contributions to such bank to enable it to qualify for membership in the Federal Reserve System; that, as a part of such plan, 5,672 of the 8,000 outstanding shares of stock of the bank, including part of those owned by your company, were placed in trust and are controlled by your company; that your company's investment in the bank was for the purpose of establishing and maintaining banking facilities for the convenience of your company's employees and patrons; that your company does not manage or control any other bank and, while it owns some stock of a number of other banks, it does not own as much as one per cent of the stock of any of such banks; that bank stock constitutes a relatively insignificant portion of your company's assets; and that your company was not organized and is not operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that your company 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 company is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your company 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 your company might be engaged as a business in holding the stock of, or managing or controlling, banks, this

11/30/35

-10-

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

"In connection with its consideration of the application of 'American Company', San Francisco, California, for a voting permit entitling it to vote the stock which it owns or controls of 'American Trust Company', San Francisco, California, the Board has determined that the applicant 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, the applicant 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 to the applicant advising it 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 applicant. A copy of the letter is also inclosed for your files.

"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 this matter should again be considered by it."

Approved unanimously, together with a letter to the "American Company", San Francisco, California, reading as follows:

"This refers to the application of your company for a voting permit entitling it to vote the stock which it owns or controls of 'American Trust Company', San Francisco, California.

"The Board understands that your company owns 74,879 of the 75,000 outstanding shares of common stock of American Trust Company but does not own or control any other bank stock and does not manage or control any other bank. In view of

11/30/35

-11-

"these facts, the Board has determined that your company 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, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your company to obtain a voting permit and the Board will give no further consideration to its application.

"If, however, your company should at any time own or control a substantial portion of the stock of, or manage or control, any other bank, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts.

"It is understood that Atlas Corporation, Jersey City, New Jersey, and Pacific Eastern Corporation, New York, New York, indirectly control the stock which your company holds of American Trust Company and, accordingly, are holding company affiliates of that bank. The Board's action with reference to your company does not affect the holding company affiliate status of such corporations. It appears, therefore, that the stock which your company holds of American Trust Company cannot be voted unless Atlas Corporation and Pacific Eastern Corporation obtain voting permits or obtain determinations by the Board that they are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks."

Letter to Mr. C. W. Lounsbury, Secretary, Salem County Bankers Association, Salem, New Jersey, reading as follows:

"This refers to your letter of November 12, 1935, addressed to the Comptroller of the Currency and inquiring as to the rate of interest payable by national banks in New Jersey on time deposits after January 1, 1936.

"You have doubtless already received a notice from the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia advising that, in view of the provisions of section 24 of the Federal Reserve Act and of the regulation issued by the Banking Advisory Board of the State of New Jersey on this subject, it is the opinion of the Board of Governors of the Federal Reserve System that the rate of interest accruing after January 1, 1936, and during the period the regu-

11/30/35

-12-

"lation is legally in effect, which a national bank or other member bank located in New Jersey may lawfully pay on time or savings deposits may not exceed the rate of 2 per cent per annum prescribed in the regulation of the Banking Advisory Board. The Board of Governors, however, will not object to the payment of interest by a national bank at a rate greater than 2 per cent per annum in accordance with the terms of and until the termination of any contract existing on the date on which such bank received notice from the Federal Reserve Agent of the view of the Board of Governors as to the limitation effective after January 1, 1936, provided such rate is otherwise in conformity with the provisions of Regulation Q and the contract is terminated as soon as possible under the terms thereof."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morris  
Secretary.

Approved:

W. S. ...  
Chairman.