

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 5, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary

The Committee acted upon the following matters:

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, stating that the Board approves the establishment without change by the bank on December 4, 1935, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated December 5, 1935, from Mr. Morrill stating that Mr. Miller had asked him to submit to the Board for approval his recommendation that Mr. Fred M. Kramer be appointed superintendent of construction for the Board's new building, with salary at the rate of \$7,000 per annum, effective as soon as the necessary arrangements with the Procurement Division of the Treasury could be consummated for his transfer to the payroll of the Board. It was understood that Mr. Kramer would be carried on the payroll as a temporary employee in connection with the construction of the Board's building and that, therefore, it would not be necessary for him to submit to a physical examination or become a member of the Retirement System of the Federal Reserve Banks.

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System approves the appointment of Mr. Clifford E. Morrissey, Assistant Examiner, and Mr. Dana D. Sawyer, Statistician, to assist the Federal Reserve Agent at the Federal Reserve Bank of Boston in the function of issuing and retiring Federal reserve notes and Federal reserve bank notes, as recommended in your letter of November 21, 1935.

"Regarding the request in your letter of October 31 for three printed copies of the proper form of bond if available, the Board does not have printed bond forms covering such cases, and, therefore, it will be necessary for you to have the bonds covering the two employees mentioned above executed on exact copies of the typewritten form inclosed with the Board's letter of October 25. Before forwarding the bonds to the Board for approval, they should be examined by your counsel to determine whether their execution complies fully with the rules printed on the reverse side of the form."

Approved unanimously.

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

"Receipt is acknowledged of your letter of November 4, 1935, requesting approval of the appointment of the following persons to act for the Federal reserve agent in issuing and retiring Federal reserve notes:

William F. Sheehan, Chief Examiner, Bank Examinations Dept.  
 Jere V. D. Stryker, Chief, Records & Analysis Division  
 Alfred J. Hudson, Chief, Note Issues Department  
 Norman C. Cooper, Note Issues Department  
 Robert H. Phinney, Note Issues Department

"As you know, section 16 of the Federal Reserve Act, as amended, requires that all Federal reserve notes and all gold certificates and lawful money issued to or deposited with any Federal reserve agent under the provisions of the Federal Reserve Act shall be held for such agent in the joint custody of himself and the Federal reserve bank to which he is accredited. In view of this provision of law, the Board feels that any representative of a Federal reserve agent participating in such joint custody should be responsible to the Federal reserve agent and independent of the Federal reserve bank in so far as is consistent with the practical situation. In

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"this connection, it is understood that all of the employees referred to are in the agent's department of your bank and are responsible solely to the Federal reserve agent. In the circumstances, the Board approves the appointment of the five employees listed above to act for the Federal Reserve Agent at the Federal Reserve Bank of New York in issuing and retiring Federal reserve notes as outlined in your letter. The Board also approves the individual bonds executed by them, each in the amount of \$50,000.

"The last paragraph of your letter states that a number of employees in various departments of the bank have been designated to represent the Federal reserve agent in holding Government securities, acceptances, and discounted paper in joint custody with representatives of the bank as collateral for Federal reserve notes, and you inquire whether it is desired that the appointment of such employees to act for you in that capacity be submitted to the Board for approval and bonds executed by them. The practice of the designation by the Federal reserve agent of employees in various departments of the bank to act for him in holding in joint custody collateral for Federal reserve notes has been in effect for a long time as the result of the suggestion made by the Board in rules governing the custody of gold, lawful money, and Federal reserve notes held by the Federal reserve agent (X-317). There is no requirement in the law that such designation of employees be approved by the Board or that they be regarded, or separately bonded, as assistants to the Federal reserve agent as that term is used in the Federal Reserve Act, and there appears to be no reason from a practical standpoint why such a requirement should be made, particularly as all such employees are covered by the bank's blanket bond. For these reasons, the Board sees no reason for changing the present procedure under which such designations are made by the Federal reserve agent."

Approved unanimously.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, referring to the application of the "State Bank of Gibbon", Gibbon, Minnesota, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal

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reserve bank stock issued to the State Bank of Gibbon, the Federal Reserve Bank of Minneapolis 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 would request 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 Federal reserve agent endeavor to have the bank defer the termination of its membership in the System until it can simultaneously be accepted as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board has today approved the application of the 'State Bank of Gibbon', Gibbon, Minnesota, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw. It is understood, however, that the bank desires to continue without interruption its status as an insured bank and the Board suggested, therefore, that the Federal Reserve Agent at Minneapolis endeavor to have the bank defer the termination of its membership in the Federal Reserve System until it can simultaneously be accepted as a nonmember insured bank.

"It is understood that, in connection with the bank's application for continuation of insurance as a nonmember bank, you may desire to make an examination of the institution. In accordance with the provisions of subsection (k)(2) of Section 12B of the Federal Reserve Act, therefore, the Board hereby grants written consent for examiners for the Federal Deposit

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"Insurance Corporation to examine the State Bank of Gibbon, Gibbon, Minnesota, in connection with its application for continuation of insurance as a nonmember bank."

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

"Receipt is acknowledged of your letter of November 22, 1935, transmitting a copy of a letter from Mr. H. S. Noble, Chairman of the Board of Directors of The Home Banking Company, St. Marys, Ohio, to the Superintendent of Banks of Ohio, and advising that in view of the fact that there appears to be dissension among the members of the board of the bank, you have suggested to the Superintendent of Banks that a conference be held in his office sometime in the near future. In this connection, the latest report of examination, made as of October 11, 1935, has been reviewed and the comments of your examiner relative to the management of the bank have been noted.

"The need for restoration of harmony among the directors and the strengthening of the management of the bank is apparent, and it is hoped that the proposed conference will bring about the desired results. Please keep the Board advised as to developments in the matter."

Approved unanimously.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There has been sent to you previously a copy of Regulation I, as approved by the Board on November 26, 1935, to become effective January 1, 1936. You have also received a copy of the Board's letter of November 26, 1935, to all Federal reserve agents, containing instructions relating to the checking and handling of applications for issuance and cancelation of Federal reserve bank stock.

"This letter contemplates that certain immediate changes will be made in the procedure followed in handling applications for the issuance and cancelation of Federal reserve bank stock, one of which provides that applications shall be approved by the Federal reserve agent instead of by the Board of Governors of the Federal Reserve System. You will note from page 2 of the letter, a copy of which is attached for your convenience, that the Federal reserve agents have been

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"instructed to notify your office direct by telegraph, using the code word 'Narratement', as soon as an application for the issuance of Federal reserve bank stock to an organizing national bank has been found to be in proper form and the required payment has been received on the bank's subscription. The meaning of the code word is set forth in the letter to the Federal reserve agents."

Approved unanimously.

Letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of November 29 in which you inform the Board that in the course of a recent examination of the Merchants Bank of Kansas City, Kansas City, Missouri, it developed that the bank had an affiliate, the Edward Aaron, Inc., which had not been reported. It appears that the bank failed to report this affiliate for the reason that it did not realize an affiliation existed, and that steps are being taken immediately to terminate the affiliation through changes in the Board of Directors of the affiliate. Since it appears that the existence of this affiliation was inadvertent, and that it is being terminated, the Board will not at this time require submission of reports of the affiliate as of past call dates. If, however, the affiliation is in existence at the time of the next call, and the terms of the Board's general waiver of reports do not apply, submission and publication of the affiliate's report will be necessary."

Approved unanimously.

Letter to Mr. Gough, Deputy Comptroller of the Currency, reading as follows:

"A copy of your letter of October 29, 1935, with respect to the cancelation of the Federal Reserve bank stock standing in the name of The Valley National Bank of Des Moines, Iowa, was sent to the Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, and there is inclosed a copy of his reply of November 16. It will be noted from the reply that it is felt that, if action to reopen the bank or to place it in liquidation is not taken on or before March 1, 1936, as contemplated, the Comptroller of the Currency should immediately

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"appoint a receiver.

"The Board has requested me to advise you that it is in agreement with the position taken by the agent's office."

Approved unanimously.

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

"Receipt is acknowledged of Mr. Gettemy's letter of November 18, submitting applications of ten member banks for additional Federal Reserve bank stock which, through misunderstanding, had been issued without the prior approval of the Board of Governors of the Federal Reserve System.

"In view of the facts outlined, the Board approves the applications for additional stock of the Federal Reserve Bank of Boston submitted with Mr. Gettemy's letter, effective as of the dates on which the stock was issued, as shown below:

<u>Name and location of bank</u>	<u>Number of Shares</u>	<u>Effective date of Board's approval 1935</u>
The Uncas-Merchants National Bank of Norwich, Norwich, Connecticut	2	October 23
The Torrington National Bank and Trust Company, Torrington, Connecticut	30	October 14
The Hurlbut National Bank of Winsted, Winsted, Connecticut	61	November 4
The Thomaston National Bank, Thomaston, Maine	6	September 14
Menotomy Trust Company, Arlington, Massachusetts	3	October 10
The Fall River National Bank, Fall River, Massachusetts	3	October 7
The Waltham National Bank of Waltham, Waltham, Massachusetts	36	October 22
The Blackstone Canal National Bank of Providence, Providence, Rhode Island	60	October 8
The First National Bank of Montpelier, Montpelier, Vermont	26	September 16

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<u>Name and location of bank</u>	<u>Number of Shares</u>	<u>Effective date of Board's approval 1935</u>
"The Welden National Bank in St. Albans, St. Albans, Vermont	18	November 1".

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley  
Secretary.

Approved:

W. E. ...  
Chairman.