

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 10, 1935, at 11:30 a.m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Letter to Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the bank on December 7, 1935, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"On October 5, 1928, a letter (X-6151) was sent to all Federal reserve banks in which it was suggested that it would be of very great assistance to the Board if, at the time the directors of a Federal reserve bank voted to make a change in the discount rate at the bank, the chairman, in advising the Board of the action taken, would inform it also of the reasons which actuated the directors in establishing the new rate. Some of the banks, in response to this suggestion, have undertaken to state, very briefly in most cases, the reasons for the new rates established by the banks.

"As you know, the Board of Governors of the Federal Reserve System is required by the last paragraph of section 10 of the Federal Reserve Act, as amended by the Banking Act of 1935, to keep a record of actions taken on questions of policy and of the reasons underlying such action. The Board feels that in connection with its compliance with this new requirement of the law it will be highly desirable that it have the benefit of a statement of the reasons underlying the action of a

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"Federal reserve bank in establishing new rates of discount and purchase and for advances made by it.

"Therefore, the Board requests that, in the future, when new rates are established by your bank your telegram to the Board requesting approval of such action contain a statement of the important reasons which prompted your directors in voting to make the change.

"Advice of action on discount rates by the Federal reserve banks in the past usually has been transmitted to the Board by telegraph. In some cases, however, the Board has been informed of such action by telephone. The Board is of the opinion that, in acting on new rates fixed by a Federal reserve bank, it should have before it, whenever possible, a definite statement of the reasons for the bank's action and, therefore, requests that, in the absence of unusual circumstances making some other procedure necessary, it be advised by telegraph of new rates established by your bank and that there be included in the telegram in each case the statement referred to above as to the important reasons for such action. Of course, such a statement ordinarily would not be included in the telegram sent to the Board advising of the establishment without change of the rates of discount and purchase in your existing schedule.

"It will be appreciated by the Board if you will bring this letter to the attention of your directors at their next meeting."

Approved unanimously.

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

"Re Young's letter, October 31, 1935, regarding 'The Merchants Trust and Savings Company, of Muncie, Indiana'. Board extends to December 18, 1936, time within which bank may comply with condition of membership numbered 21. Please advise the bank accordingly."

Approved unanimously.

Letter to the "Decatur County National Bank of Greensburg", Greensburg, Indiana, reading as follows:

"The Board of Governors of the Federal Reserve System has

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"given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as executor, administrator and guardian of estates, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

In connection with the above matter, consideration was given to a memorandum dated December 5, 1935, from the Division of Examinations, which stated that the recommendation of the executive committee of the Federal Reserve Bank of Chicago that the applicant be authorized to act as executor, administrator, and guardian of estates, was made subject to a reservation as to the question of policy involved and to a determination by the Board as to the advisability of granting even limited powers in cases where the bank was a small institution and one which probably would not engage in trust business except in a minor way and the application was predicated mainly upon the desire of the bank to be on an equal competitive basis with State institutions in the same community, rather than on a desire to engage actively in fiduciary capacities. The memorandum stated that the application was being submitted to the Board for its consideration with a view not only to a decision in the instant case, but to obtaining an expression of the Board's views which the Division of Examinations might use as a precedent in any similar cases which may be submitted in the future. There was also attached to

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the file a memorandum dated December 9, 1935, from Mr. Hamlin which stated that he could find nothing in the statute to indicate that the Board should give the monopoly of trust powers to large banks or limit the granting of trust powers to places of large population, and that in his opinion the permit under consideration should be issued.

Mr. Hamlin's position was approved unanimously by the other members of the Board present.

Telegrams to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that, subject to the conditions set forth in the telegrams, the Board of Governors of the Federal Reserve System authorizes the issuance of general voting permits, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Trust Company of Georgia", Atlanta, Georgia, and to the "Trust Company of Georgia Associates", Atlanta, Georgia, entitling such organizations to vote the stock which they own or control of the following banks:

"The National Exchange Bank of Augusta", Augusta, Georgia,  
 "The Fourth National Bank of Columbus", Columbus, Georgia,  
 "The First National Bank & Trust Company in Macon",  
 Macon, Georgia,  
 "The First National Bank of Rome", Rome, Georgia,  
 "The Liberty National Bank & Trust Company of Savannah",  
 Savannah, Georgia,

at all meetings of shareholders of such banks. The conditions contained in the respective telegrams upon which the permits were authorized were (1) that, prior to the issuance of the general voting permit authorized in the telegram, the applicant shall execute and deliver to the Federal reserve agent in duplicate an agreement in the form accompanying the

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Board's letter X-9385, (2) that, prior to the issuance of the general voting permit authorized in the telegram, the applicant shall execute and deliver to the Federal reserve agent in duplicate Exhibits L (F.R.B. Form P-3) executed by Scottdale Mills and Tom Huston Peanut Company and Exhibits N (F.R.B. Form P-4) executed by applicant and consented to by each such organization or, in the case of such organizations respectively, evidence in writing satisfactory to counsel for the Federal Reserve Bank of Atlanta that such Exhibits are not required by the Board's Regulation P and the directions on the printed forms referred to, and (3) that the permits shall be issued simultaneously to the "Trust Company of Georgia", and to the "Trust Company of Georgia Associates". The telegrams also stated that the period within which such permits may be issued pursuant to the authorization was limited to thirty days from the date of the telegrams unless an extension of time was granted by the Board.

Approved unanimously.

In connection with the above telegrams, the Board gave consideration to a memorandum dated November 29, 1935, from Mr. DuBois, Assistant Counsel, which stated that in his opinion both the Trust Company of Georgia, and the Trust Company of Georgia Associates were holding company affiliates and that it would not be possible for the Board to determine that the trust company was not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, stating that, subject to the condition set forth

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in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Trustees Under Trust Agreement Dated January 31, 1919, as Amended July 30, 1920, and January 26, 1923, with Reference to Stocks in The Citizens Union National Bank of Louisville and Fidelity and Columbia Trust Company, both of Louisville, Kentucky", Louisville, Kentucky, entitling such organization to vote the stock which it owns or controls of "The Citizens Union National Bank of Louisville", Louisville, Kentucky, at all meetings of shareholders of such bank. The condition contained in the telegram upon which the permit was authorized was as follows:

"Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in the form accompanying the Board's letter X-9385."

The telegram also stated that the period within which such a permit may be issued pursuant to the authorization was limited to thirty days from the date of the telegram unless an extension of time was granted by the Board.

Approved unanimously.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United

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States, to "Bank Shares Corporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls of "The Marquette National Bank of Minneapolis", Minneapolis, Minnesota, at all meetings of shareholders of such bank. The condition contained in the telegram upon which the permit was authorized was as follows:

"Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in the form accompanying the Board's letter X-9385."

The telegram also stated that the period within which such a permit may be issued pursuant to the authorization was limited to thirty days from the date of the telegram unless an extension of time was granted by the Board.

Approved unanimously.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "First Bank Stock Corporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls of the following banks:

- "Aberdeen National Bank & Trust Company", Aberdeen, South Dakota,
- "Freeborn County National Bank of Albert Lea", Albert Lea, Minnesota,
- "The Farmers National Bank in Alexandria", Alexandria, Minnesota,
- "The First National Bank of Austin", Austin, Minnesota,
- "The National Bank of Benson", Benson, Minnesota,

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- "The Midland National Bank of Billings", Billings, Montana,  
 "The First National Bank of Bismarck", Bismarck, North Dakota,  
 "The First National Bank of Blooming Prairie", Blooming Prairie,  
 Minnesota,  
 "First and Farmers National Bank of Blue Earth", Blue Earth,  
 Minnesota,  
 "The Commercial National Bank of Bozeman", Bozeman, Montana,  
 "The First National Bank of Brainerd", Brainerd, Minnesota,  
 "Metals Bank & Trust Company", Butte, Montana,  
 "The First National Bank of Cando", Cando, North Dakota,  
 "The Merchants National Bank of Cavalier", Cavalier, North Dakota,  
 "The Clark County National Bank of Clark", Clark, South Dakota,  
 "The First National Bank in Cooperstown", Cooperstown, North Dakota,  
 "The Minnesota National Bank of East Grand Forks", East Grand Forks,  
 Minnesota,  
 "The First National Bank of Fairmont", Fairmont, Minnesota,  
 "The Merchants National Bank and Trust Company of Fargo", Fargo,  
 North Dakota,  
 "Potter County National Bank of Gettysburg", Gettysburg, South  
 Dakota,  
 "First National Bank in Glen Ullin", Glen Ullin, North Dakota,  
 "The First National Bank of Graceville", Graceville, Minnesota,  
 "Red River National Bank of Grand Forks", Grand Forks, North Dakota,  
 "The First National Bank of Great Falls", Great Falls, Montana,  
 "The National Metals Bank of Hancock", Hancock, Michigan,  
 "The First National Bank of Harvey", Harvey, North Dakota,  
 "The Montana National Bank of Havre", Havre, Montana,  
 "The First National Bank of Hebron", Hebron, North Dakota,  
 "First National Bank & Trust Company of Helena", Helena, Montana,  
 "The First National Bank of Heron Lake", Heron Lake, Minnesota,  
 "The First National Bank of Highmore", Highmore, South Dakota,  
 "First National Bank in Huron", Huron, South Dakota,  
 "Farmers & Merchants National Bank in Ivanhoe", Ivanhoe, Minnesota,  
 "The National Bank of Jamestown", Jamestown, North Dakota,  
 "First National Bank in Lemmon", Lemmon, South Dakota,  
 "The National Bank of Lewistown", Lewistown, Montana,  
 "First National Bank in Lidgerwood", Lidgerwood, North Dakota,  
 "The American National Bank in Little Falls", Little Falls,  
 Minnesota,  
 "The National Park Bank in Livingston", Livingston, Montana,  
 "The Luverne National Bank", Luverne, Minnesota,  
 "First National Bank of Mankato", Mankato, Minnesota,  
 "First National Bank in Miles City", Miles City, Montana,  
 "The First National Bank of Miller", Miller, South Dakota,  
 "Bloomington-Lake National Bank of Minneapolis", Minneapolis,  
 Minnesota,



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"First National Bank and Trust Company of Minneapolis",  
 Minneapolis, Minnesota,  
 "Minnehaha National Bank of Minneapolis", Minneapolis, Minnesota,  
 "The Farmers and Merchants National Bank of Minneota", Minneota,  
 Minnesota,  
 "The Union National Bank in Minot", Minot, North Dakota,  
 "The Western Montana National Bank of Missoula", Missoula, Montana,  
 "First National Bank in Neche", Neche, North Dakota,  
 "The First National Bank of New Rockford", New Rockford, North  
 Dakota,  
 "Northfield National Bank and Trust Company", Northfield, Minnesota,  
 "The First National Bank of Owatonna", Owatonna, Minnesota,  
 "The First National Bank of Park River", Park River, North Dakota,  
 "First National Bank in Paynesville", Paynesville, Minnesota,  
 "The Pipestone National Bank", Pipestone, Mimesota,  
 "The Red Wing National Bank and Trust Company", Red Wing, Minnesota,  
 "The First National Bank of Rochester", Rochester, Minnesota,  
 "The First National Bank of St. Paul", St. Paul, Minnesota,  
 "The Merchants National Bank of Sauk Centre", Sauk Center, Minnesota,  
 "Citizens National Bank and Trust Company of Sioux Falls", Sioux  
 Falls, South Dakota,  
 "The First National Bank of Spring Valley", Spring Valley, Minnesota,  
 "First National Bank of Valley City", Valley City, North Dakota,  
 "First National Bank in Vermillion", Vermillion, South Dakota,  
 "The Farmers National Bank of Waseca", Waseca, Minnesota,  
 "First National Bank in Wheaton", Wheaton, Minnesota,  
 "The Security National Bank of Willmar", Willmar, Minnesota,  
 "The First National Bank of Windom", Windom, Minnesota,

at all meetings of shareholders of such banks. The conditions contained  
 in the telegram upon which the permit was authorized were as follows:

- "(1) Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in the form accompanying the Board's letter X-9385.
- "(2) Prior to the issuance of the general voting permit authorized herein, applicant shall deliver to you in duplicate, Exhibits L (F.R.B. Form P-3), executed by The Mankato Company, Mankato, Minnesota, Union National Company, Minot North Dakota, Bank of Glacier County, Cut Bank, Montana, and State Savings Bank of St. Paul, St. Paul, Minnesota, and Exhibit N (F.R.B. Form P-4), executed by the applicant and consented to by each of such corporations, or

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"evidence in writing satisfactory to counsel for the Federal Reserve Bank of Minneapolis that such exhibits are not required by the Board's Regulation P and the instructions on the printed forms referred to."

The telegram also stated that the period within which such a permit may be issued pursuant to the authorization was limited to thirty days from the date of the telegram unless an extension of time was granted by the Board.

Approved unanimously.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to "American Investment Corporation", Ogden, Utah, entitling such organization to vote the stock which it owns or controls of the "Commercial Security Bank", Ogden, Utah, at all meetings of shareholders of such bank. The condition contained in the telegram upon which the permit was authorized was as follows:

"Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in the form accompanying the Board's letter X-9385."

The telegram also stated that the period within which such a permit may be issued pursuant to the authorization was limited to thirty days from the date of the telegram unless an extension of time was granted by the

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Board.

Approved unanimously.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Sebastopol National Securities Co.", Sebastopol, California, entitling such organization to vote the stock which it owns or controls of "The Sebastopol National Bank", Sebastopol, California, at all meetings of shareholders of such bank. The condition contained in the telegram upon which the permit was authorized was as follows:

"Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in the form accompanying the Board's letter X-9385."

The telegram also stated that the period within which such a permit may be issued pursuant to the authorization was limited to thirty days from the date of the telegram unless an extension of time was granted by the Board. The telegram further stated that it appeared from the report of appraisal of assets of Sebastopol National Securities Co. as of September 30, 1934, made by an examiner for the Federal Reserve Bank of San Francisco, that the capital stock of such corporation was impaired; that such report also showed that during the period from January 1 to September 30, 1934, the corporation paid dividends on preferred stock in the amount of \$6,273.75 and that during the year 1933 the corporation

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paid dividends on such stock in the amount of \$5,091.50, although there was no indication whether any of the dividends paid in 1933 were paid subsequent to October 11, 1933, the date of the application for a voting permit; and that it appeared that the payment of such dividends may have been in violation of paragraph 7 of F.R.B. Form P-1, executed by the applicant. The telegram also requested the assistant Federal reserve agent to call the matter to the attention of the Sebastopol National Securities Co. in order that it may guard against any violation of such agreement in the future, and to review the future reports of examination of the applicant to determine whether it complies with such agreement.

Approved unanimously.

Memorandum dated December 7, 1935, from Mr. Smead, Chief of the Division of Bank Operations, stating that it was understood that the Secretary of the Treasury would request the Board shortly to instruct the Federal reserve agents not to pay out any Federal reserve notes of the 1928 series, which bear the "Redeemable in gold" clause, when Federal reserve notes of the 1934 series without that clause are available, and that it was also understood the Secretary planned to ask Congress for authority to replace the existing stock of 1928 series notes with notes of the 1934 series at the Government's expense. The memorandum recommended that, in order to have a sufficient amount of Federal reserve notes of the various denominations of the 1934 series on hand to

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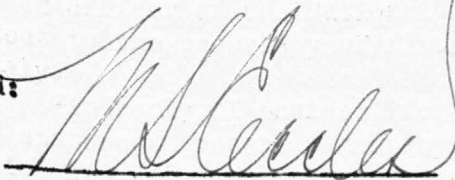
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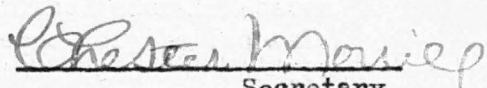
enable the Federal reserve agents, so far as practicable, to supply requisitions for additional Federal reserve notes with notes of the 1934 series, the Comptroller of the Currency be requested to place with the Bureau of Engraving and Printing the order attached to the memorandum for printing during the month of December of Federal reserve notes of the 1934 series.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.