

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 11, 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
Mr. Clayton, Assistant to the Chairman
Mr. Paulger, Chief of the Division of
Examinations

Chairman Eccles stated that a reply to the Board's letter of November 19, 1935, had been received from the Secretary of State, as follows:

"I am in receipt of your letter of November 19, 1935, enclosing a copy of a letter of November 6 addressed to the Chairman of the Board of Governors of the Federal Reserve Board by Mr. George L. Harrison, Governor of the Federal Reserve Bank of New York, in regard to a question submitted by an officer of the National City Bank of New York with respect to the propriety of financing shipments of cotton to Italy.

"In reply, I enclose, for your consideration, copies of statements recently made by the President and by me in which are set forth the purpose and the policy of this Government in respect to commercial transactions with the belligerents. I do not feel that I can undertake to amplify these statements at this time or to issue a special ruling in respect to any particular case. I assume, however, that all agencies of the Government and all semi-governmental agencies will wish to conform their action to the policy set forth in these statements.

"I may add that in a Press Conference on November 26 I made it clear to the representatives of the Press that the policy of this Government in respect to abnormal shipments to belligerents of primary war materials, enunciated in my statement of November 15, flowed naturally from the general purpose and policy of this Government as expressed in preceding statements made by the President and by me."

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Mr. Thomas said that he felt the statements inclosed with the reply from the Secretary of State indicated pretty clearly the policy of the Government and that, in his opinion, on the basis of the present law, the State Department could not take a stronger position than that set forth in the letter.

Mr. James said that he believed the matter involved the consideration of the question of policy as to whether or not, in the circumstances, the Board would sanction the rediscount or purchase by Federal reserve banks of commercial paper drawn to finance shipments to belligerents, and that, in his opinion, the Federal reserve banks would be subject to criticism if they accepted paper of this character.

Following a discussion during which suggestions were offered as to the reply to be made to Governor Harrison's letter of November 6, 1935, the Secretary was requested to prepare, for the consideration of the Board, a draft of reply in accordance with the suggestions. It was understood that a copy of the reply to Governor Harrison would be sent to the State Department; that copies of Governor Harrison's letter, the letter from the Secretary of State, and the Board's reply to Governor Harrison would be sent to all Federal reserve banks; and that the correspondence should be published in the next issue of the Federal Reserve Bulletin. It was further agreed that the question what further publicity should be given to the correspondence should be decided at the time consideration was given to the draft of reply to Governor Harrison's letter.

Mr. Morrill referred to the decision of the Board at the meeting on November 30, 1935, to defer action on a proposed letter to Governor Harrison containing a statement as to the procedure to be followed in the future in dealing with inquiries involving questions of general policy of the Government. It was agreed that the letter should not be sent and that the portion relating to future procedure in handling such matters should not be incorporated in the proposed letter to Governor Harrison.

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There was presented a letter dated December 9, 1935, from Mr. Ronald H. Allen, Assistant Secretary of the Reconstruction Finance Corporation, reading as follows:

"Enclosed is a proposed form of amendments to the charter of Birmingham Trust & Savings Company, Birmingham, Alabama. This Corporation has heretofore purchased and now owns \$1,500,000 aggregate par value of preferred stock 'A' of the bank divided into 30,000 shares of the par value of \$50 per share. A commitment has been made to purchase, at an aggregate price of \$1,500,000, 30,000 shares of additional preferred stock 'A' of the bank of the par value of \$20 per share, upon the condition, among others, that the par value per share of the outstanding preferred stock 'A' be reduced from \$50 per share to \$20 per share, that the retirement price and liquidation value of such stock be fixed at \$50 per share plus accrued dividends, and that the bank adopt amendments to its charter conforming substantially with the enclosed form.

"Your attention is called to Section 4 and 5 of Article Third which prohibit the payment of dividends on preferred stock 'B' and common stock, and to Section 13 of the same article which gives certain special voting rights to the holders of preferred stock 'A' and preferred stock 'B', when the fair value of the assets of the bank are less than specified amounts. Your attention is also called to Section 18 which provides that the determination of the fair value of the assets of the bank shall be made by a person or persons designated by the Board of Governors of the Federal Reserve System and shall be based upon the last available report of examination made under the direction of or approved by the Board of Governors.

"Before these amendments are submitted to the bank for adoption the Corporation would like to be advised that your Board has no objection to the provisions of Section 18 of Article Third and that it will be willing to designate a person or persons to make the determination of fair value of the assets of the bank as therein provided.

"If Section 18 is approved by your Board it is intended that a similar provision will be inserted in amendments adopted by other state member banks which proposed to reduce the par value of their preferred stock."

The request contained in the letter had been discussed informally by representatives of the Reconstruction Finance Corporation with the

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Board's Division of Examinations and under date of December 5, 1935, a memorandum had been prepared by the Division which suggested that the Board should not assume the responsibility for the determination of the fair value of the assets of the trust company. Copies of the letter and memorandum had been furnished to the members of the Board for consideration prior to this meeting.

During the discussion of the request, Mr. James pointed out that, if the Federal Reserve Bank of Atlanta were called upon to discount paper for the member bank or make an advance on the security of its assets, it would of necessity have to place a value on such assets, and that in his opinion the Federal Reserve System is the logical agency to undertake the responsibility and that the Reconstruction Finance Corporation should be advised that the Board will make the service of the officers and examiners of the Federal Reserve Bank of Atlanta available for such purpose.

Chairman Eccles stated that the reason of the Reconstruction Finance Corporation for suggesting the proposed procedure was that it desired to determine upon a method which would insure the protection of the holders of preferred stock of the trust company after the Reconstruction Finance Corporation had ceased active operations and was not in a position to supervise its preferred stock investments.

In response to a request from Chairman Eccles, Mr. Paulger reviewed the consideration which had been given to the matter by his Division and the reasons for the position taken in the memorandum above referred to. He pointed out that there is a marked difference between the

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approach to the problem by an examiner making an examination of a bank when he merely classifies assets without attempting to put a value on the individual assets, and the approach which would be necessary under the procedure suggested by the Reconstruction Finance Corporation which in effect would make necessary a separate appraisal of each asset which the bank holds.

In connection with this latter point the question was raised as to whether it would be necessary under the procedure suggested by the Reconstruction Finance Corporation to go beyond the regular report of examination of the bank as a basis for the valuation and the opinion was expressed that the report of examination would not contain sufficient information to enable the making of a complete appraisal of the assets.

Chairman Eccles raised the question as to what the result would be if the Board did not undertake to make the valuation, and Mr. Paulger stated that it was understood that provision would be made for referring the matter to persons satisfactory to a majority of the preferred stockholders.

Mr. Thomas stated that at first he was inclined to the opinion that the Board should not accept the responsibility, but that after further consideration he agreed with the opinion expressed by Mr. James.

Mr. Miller stated that, as the valuation of assets of State member banks is a matter which might result in considerable difficulty for the Board, he was in favor of not accepting the responsibility until the liquidation of the Reconstruction Finance Corporation or other develop-

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ments make such a step necessary, at which time the Board would be in a better position to determine the character of the duty which it would assume. He also raised the question whether acceptance by the Board of the responsibility in this case would result in the same procedure being adopted in other cases, and Mr. Clayton stated that he had been advised that there were about twenty other State member banks which contemplated a reduction of the value of their preferred stock.

Chairman Eccles pointed out that it was important that the Board assist in the solution of the problem involved in this particular case for the reason that because of the unsatisfactory condition of the trust company additional investment by the Reconstruction Finance Corporation in the preferred stock of the company is highly desirable.

Mr. Hamlin suggested that provision be made in the amendment to the bank's charter that, in the event the Reconstruction Finance Corporation and the bank disagreed as to the value of the assets, examiners approved by the Board would be called upon to make the determination.

Mr. Thomas moved that the Reconstruction Finance Corporation be advised that the Board will undertake to determine, in the manner provided in section numbered 18 of the proposed amendment to the charter of the Birmingham Trust & Savings Company, Birmingham, Alabama, the fair value of the assets of the company and of other State member banks which propose to reduce the par value of their preferred stock and in the charter or articles of association of which a provision similar to the one referred to above is inserted.

Carried unanimously.

In this connection, it was understood that Mr. Paulger would advise the Reconstruct-

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tion Finance Corporation orally of the Board's action and state that a formal letter of advice would be transmitted later.

In further connection with the above matter, Mr. Clayton stated that he had received advice from the Reconstruction Finance Corporation that the phrase "or a subsequent report of examination so made or approved is received by the Corporation" would be eliminated from the proposed Section 18.

Reference was then made to the consideration given at the meeting of the Board on November 20, 1935, to the request of the Chairman of the Special Senate Committee Investigating the Munitions Industry that the Board release for publication by the committee certain material contained in its records, copies of which had been previously obtained by an investigator for the committee with the understanding that none of the material copied would be given out by the committee, or any members thereof, or made public in any way without the prior written approval of the Board.

Mr. Morrill stated that he had discussed the matter with Messrs. Oliphant, Harlan and Bell of the Treasury Department and Mr. Feis of the State Department, these departments having received similar requests from the committee; and that they had advised him that the respective departments felt that, as the committee had authority to gain access to the records and had requested that they be released, it was not desirable to take the position that the papers should not be released without subpoenas. Mr. Morrill said the Treasury Department had addressed a letter to the

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Chairman of the Senate Committee in which it was stated that, with regard to certain records of the department, the Treasury desired to be helpful in the investigation but was unable to see how the release of the letters would serve any useful purpose; that if published it was almost certain that they would be misconstrued; but that, if the committee felt that their release would serve a definite useful purpose in connection with the investigation, the Treasury would offer no objection. Mr. Morrill added that the State Department had advised that in the case of correspondence involving other Governments, the representatives of the foreign Governments should be asked whether they had any objection to the release of the correspondence; and that it was anticipated that no objection would be raised.

Mr. Eccles said he believed the Board should follow the same procedure as that finally adopted by the other departments of the Government in response to the Committee's request.

There then followed a discussion as to the legal responsibility of the Board in releasing correspondence addressed to the Board as confidential. In this connection, Mr. Thomas expressed the opinion that the Board should consider whether such confidential correspondence is privileged under the law from subpoena by Congress.

At the conclusion of the discussion, Mr. Thomas was requested to consult with Messrs. Morrill and Wyatt and prepare, for the consideration of the Board, a reply to the letter dated November 12, 1935, from the Chairman of the Senate Committee.

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Consideration was also given to a draft of letter to the I-C Bank and Trust Company, Chicago, Illinois, prepared following the action taken at the meeting of the Board on November 8, 1935, advising that subject to the following condition, among others, the Board had approved the bank's application for membership in the Federal Reserve System:

"18. Such bank shall stamp, as soon as practicable, in legible form on each certificate for stock of the bank outstanding, and, so long as the legend referred to below is applicable, shall stamp in legible form on each certificate issued upon transfer or in lieu of the certificates now outstanding a legend reading substantially as follows:

Before any dividend or distribution of any kind or character is made to stockholders as such, the outstanding Certificates of Beneficial Interest issued by the bank to depositors who waived the payment of a part of their deposits at the time of the reorganization of the bank in 1933 pursuant to a Depositors Agreement, a copy of which is on file with the I-C Bank and Trust Company, must be paid."

Mr. Clayton called attention to the fact that the proposed condition number 18 did not provide for the alternative suggested at the previous meeting that the bank might satisfy the condition by including in its published statements of condition, a statement of the obligation to holders of certificates representing waived deposits.

Mr. Morrill stated that he had discussed the matter with Mr. Thomas and it was agreed that, as one of the proposed changes in the revised uniform call report form, now under consideration, would provide for the inclusion of certain information as to certificates of beneficial interest, it was not considered necessary to refer to the proposed

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alternative but that the condition should be liberalized to require only the placing of the indorsement on the stock certificates as soon as practicable. Mr. Thomas confirmed Mr. Morrill's statement and said that he had later discussed the matter further and felt that in order to protect the bank against a stockholder who might be unwilling to surrender his stock certificate, the bank should be advised that it could follow the suggested alternative procedure. Mr. James suggested that the matter could be covered in the text of the letter to the bank and urged that the matter be disposed of promptly.

Mr. Eccles said that he felt strongly that the change in the call report form referred to by Mr. Morrill should not be made as it would only confuse the public and have an unfavorable reaction on the bank. He also said that he felt the condition of membership should provide that in the event the bank is unable to obtain surrender of the stock certificates it could comply with the condition by including in its published statements of condition information showing the rights of the holders of the certificates of beneficial interest.

Mr. James moved that the letter be revised in accordance with Mr. Eccles' suggestion, that the same position be taken in connection with other similar cases presented to the Board, and that there be eliminated from the uniform call report form the requirement relating to certificates of the kind involved in this case representing waived deposits.

Carried unanimously.

There was then presented the draft of telegram to Deputy Governor

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Clerk of the Federal Reserve Bank of San Francisco which had been held, in accordance with the action taken at the meeting of the Executive Committee on September 28, 1935, for consideration of certain members of the Board who were absent from the city. The telegram, which had subsequently been circulated among all of the members of the Board, read as follows:

"Relet September 14 regarding question whether savings department of California departmental bank is 'savings bank' within provision of section 19 of Federal Reserve Act exempting for two years any deposit made by savings bank as defined in section 12B of Federal Reserve Act from prohibition against payment of interest on demand deposits. After giving careful consideration to opinion of your counsel, Board is of opinion that savings department of California departmental bank is not a savings bank within meaning of section 19 of Federal Reserve Act. This opinion is based upon view that such savings department is not a 'bank'. Board considers that departmental bank is the only bank involved and such bank does not transact its ordinary banking business strictly as a savings bank but in addition transacts its ordinary banking business as a commercial bank or a trust company or both."

Mr. Hamlin had noted on the telegram that he had some doubt as to the correctness of the ruling contained therein and that the matter should be considered by the Board.

After a brief discussion, Mr. James moved that the proposed telegram be sent.

Carried, Mr. Hamlin voting "no", for the reason that he agreed with the opinion of counsel for the Federal Reserve Bank of San Francisco that the savings department of the bank was a "savings bank" within the meaning of the statute.

Mr. Eccles referred to the fact that a meeting of the Federal Open Market Committee would be held in Washington on December 17, 1935,

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and stated that, in accordance with the informal agreement of the members of the Board yesterday, the recommendation submitted by the Federal Advisory Council under date of November 21, 1935, with regard to open market operations had been sent to the members of the Federal Open Market Committee. He said that he had discussed with Messrs. Goldenweiser and Thurston the question of a statement to be released by the Board to the press following the forthcoming meeting of the Committee, and requested that the Board members give further consideration to this matter as well as to the whole question of open market policy.

Mr. Thomas stated that the committee to which had been referred the question of membership of banks in Alaska, Hawaii and Puerto Rico had discussed with the Federal Deposit Insurance Corporation the question of membership in the Federal Reserve System of banks in Puerto Rico and the insurance of their deposits. He stated that the Federal Deposit Insurance Corporation had received applications for insurance from two banks in San Juan, Puerto Rico, one of which was the Banco de Puerto Rico, from which an application for membership had been received, and that the Corporation contemplated making an examination of the two banks and had requested that the Board participate in the examinations. He added that if the Banco de Puerto Rico is admitted to membership an application undoubtedly will be received from the other bank in San Juan and that therefore, he felt the Board should participate in the examination of both banks.

Mr. Thomas then moved that the Board agree to participate in the examinations and

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that Mr. Paulger be authorized to make the necessary arrangements.

Carried unanimously.

At this point Mr. Paulger left the meeting, and the Board acted upon the following matters:

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

"Re conditions of membership of 'The Fifth Avenue Savings Bank Company', Columbus, Ohio, 'The Marysville-Commercial Bank', Marysville, Ohio, 'The Licking County Bank', Newark, Ohio, and 'The Perry County Bank', New Lexington, Ohio, regarding the time within which 'BancOhio Corporation' shall obtain a voting permit entitling it to vote for all purposes the stock of each such bank. Board has authorized the issuance of a general voting permit to the BancOhio Corporation subject to certain conditions. Accordingly, the Board extends to the expiration of the period of time within which the general voting permit may be issued to BancOhio Corporation as authorized by the Board the time within which the above banks may comply with such conditions of membership. Please advise those at interest accordingly."

Approved unanimously.

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

"Reference is made to the report of examination of 'The State Bank of Geneva', Geneva, Illinois, as of August 5, 1935, and to the supplemental information submitted in connection therewith.

"It has been noted that the lines of credit aggregating \$179,003 extended to President Oscar Nelson, his interests and affiliations, continue as a source of much concern and that little, if any, progress has been made in reducing the aggregate of these lines. It has been further noted from the report that \$22,500 of President Nelson's personal obligations to the bank are past due, \$18,500 being classed by the examiner as statutory bad debts, and that of the aggregate of \$179,003 the examiner has classed \$27,125 as doubtful and \$1,983 as loss.

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"It has been reported also that President Nelson has attempted to be relieved of liability on obligations to the bank amounting to \$33,500, on which he was personally liable, by transferring title to properties securing such obligations to corporations in which he is principal stockholder and then not joining in extension agreements executed by the corporations which assumed the debts.

"It appears that on May 9, 1935, the Chief Bank Examiner for the State wrote the bank calling its attention to the heavy holdings of obligations of President Nelson and his affiliated interests and requesting that appropriate action be taken to prevent further expansion in these lines of credit as a matter of safety to the bank. The Chief Bank Examiner also requested definite assurance that no further credit would be extended to this concentration and asked for the immediate formulation of a definite program of liquidation. It also appears that, subsequent to the examination of August 5, 1935, the Chief Bank Examiner requested the directors of the bank to advise him of the explanation for the further advances made in certain of the lines together with a statement of their future policy in dealing with these lines of credit.

"The unsatisfactory direction and management of the bank by Mr. Nelson and the abuse by him and his interests of its credit facilities have been the subject of unfavorable comment in former reports of examination. It was previously reported that, despite his involved financial condition, your office felt that in view of the respect in which he was held by the community, the best interests of the bank would be served by the retention of Mr. Nelson as its president, and in the letter dated May 21, 1935, Mr. Young stated that the apparent violations of section 22(g) of the Federal Reserve Act in connection with the indebtedness of President Nelson, which had been reported to the Attorney General, had been considered at various times with the supervising authorities, who felt, however, that at least for a time Mr. Nelson was essential to the operation of the bank.

"In view of the continued unsatisfactory condition and the statement in the analysis made by your office of the report of examination of the bank as of August 5, 1935, that there is some question as to the ability of President Nelson as an executive officer of the bank and as to his value to the institution by reason of his apparently involved financial condition and the substantial amount of funds which he and his interests are borrowing from the bank, it will be appreciated if you will continue to follow the situation closely and cooperate to the fullest extent possible with the State supervisory authorities in an effort to effect a correction of the situation.

"Please advise the Board as to the corrections which have been made by the bank of the matters covered in the letter dated October 16, 1935, written to the bank by the State banking au-

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"thorities in connection with the examination of August 5, 1935, and keep the Board advised as to any other developments in the situation."

Approved unanimously.

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

"Inclosed is a copy of a letter dated December 4, 1935, from Mr. Starley, State Bank Commissioner, to the Federal Deposit Insurance Corporation regarding the request of the Walker Bank and Trust Company of Salt Lake City for permission to retire \$150,000 of capital debentures. Inasmuch as the bank is a member of the Federal Reserve System, the Federal Deposit Insurance Corporation has referred the matter to the Board. Inclosed also is a copy of the letter to Mr. Starley advising him that the matter had been referred to you as representative of the Board in the district in which the bank is located.

"The Walker Bank and Trust Company is not subject to a condition requiring the Board's approval for a reduction in its capital. It is suggested that, in advising Mr. Starley of that fact, you add such comments as you may consider advisable regarding the desirability of the proposed retirement."

Approved unanimously, together with a letter to Mr. R. F. Starley, State Bank Commissioner, Salt Lake City, Utah, reading as follows:

"Inasmuch as the Walker Bank and Trust Company of Salt Lake City is a member of the Federal Reserve System, the Federal Deposit Insurance Corporation has referred to the Board of Governors of the Federal Reserve System for reply your letter of December 4, 1935, regarding a proposed retirement by the Walker Bank and Trust Company of \$150,000 capital debentures.

"In accordance with the usual procedure regarding questions involving the condition of State member banks, the matter has been referred to the Board's representative in the district in which the bank is located, and Mr. Sargent, Assistant Federal Reserve Agent, has been requested to reply promptly to your letter regarding the proposed retirements."

Telegram to Mr. Curtiss, Federal Reserve Agent at the Federal Re-

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serve Bank of Boston, 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 National Shawmut Bank of Boston", Boston, Massachusetts, entitling such organization to vote the stock which it owns or controls of the following banks:

- "County Bank and Trust Company", Cambridge, Massachusetts,
- "Needham National Bank", Needham, Massachusetts,
- "The Winchester National Bank", Winchester, Massachusetts,
- "The Merchants National Bank of Salem", Salem, Massachusetts,

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, except that paragraph numbered 1 and paragraph lettered (C) shall be omitted and the remaining paragraphs appropriately renumbered and relettered, and except that paragraph numbered 4 prior to such renumbering shall be changed to read as follows:

'That the undersigned will comply, and will take such action within its power as may be necessary to cause each subsidiary national bank or affiliate of such subsidiary national bank or of the undersigned to comply, with the recommendations or suggestions of the Comptroller of the Currency based upon any report of examination made to him pursuant to authority conferred by law and with the regulations or requirements of the Board of Governors of the Federal Reserve System made pursuant to authority vested in it by law;'

- "(2) Simultaneously with the issuance of the general voting permit authorized herein, there shall be issued to Shawmut Association the general voting permit authorized in the Board's telegram to you bearing the same date as this telegram."

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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. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, 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 "Shawmut Association", Boston, Massachusetts, entitling such organization to vote the stock which it owns or controls of the following banks:

"County Bank and Trust Company", Cambridge, Massachusetts,
 "Needham National Bank", Needham, Massachusetts,
 "The Winchester National Bank", Winchester, Massachusetts,
 "The Merchants National Bank of Salem", Salem, Massachusetts,

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) Simultaneously with the issuance of the general voting permit authorized herein, there shall be issued to The National Shawmut Bank of Boston the general voting permit authorized in the Board's telegram to you bearing the same date as this telegram."

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;

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that the facts set forth in reports of examination indicated a possibility that dividends declared by the Shawmut Association since the date of its application for a voting permit had not been paid out of actual net earnings in accordance with the provisions of the applicable statutes and Paragraph 7 of such application; and that it was requested that the Federal reserve agent call this matter to the attention of the Shawmut Association and advise it that the permit had been authorized with the understanding that any future dividends would be paid only out of actual net earnings.

Approved unanimously.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, 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 "BancOhio Corporation", Columbus, Ohio, entitling such organization to vote the stock which it owns or controls of the following banks:

- "The Ohio National Bank of Columbus", Columbus, Ohio,
- "The Union National Bank of Cadiz", Cadiz, Ohio,
- "The First National Bank of Chillicothe", Chillicothe, Ohio,
- "The Commercial National Bank of Coshocton", Coshocton, Ohio,
- "The Delaware County National Bank of Delaware", Delaware, Ohio,
- "The National Bank of Portsmouth", Portsmouth, Ohio,
- "The First National Bank and Trust Company of Springfield", Springfield, Ohio,
- "The First National Bank of Washington Court House", Washington Court House, Ohio,
- "The Citizens National Bank in Zanesville", Zanesville, Ohio,
- "The Fifth Avenue Savings Bank Company", Columbus, Ohio,

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- "The Marysville-Commercial Bank", Marysville, Ohio,
- "The Licking County Bank", Newark, Ohio,
- "The Perry County Bank", New Lexington, Ohio.

at all meetings of shareholders of such banks. 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 had been noted from the reports of examinations of certain banks in the group that the examiners had criticized the service charges collected by the applicant from the subsidiary banks as being excessive in amount or out of proportion to each bank's earning capacity; that it had also been noted from the report of examination of the BancOhio Corporation by an examiner for the Federal Reserve Bank of Cleveland as of May 20, 1935, that the total service charges collected by the applicant from its subsidiary banks exceeded the applicant's total operating expenses during the years 1930, 1931, 1932 and 1933; that in a letter from John A. Kelley, executive vice president of BancOhio Corporation, addressed to the acting Federal reserve agent under date of April 30, 1935, it was stated that the service charges made were "contractual with the board of directors of each affiliate and are based upon the actual pro-rated cost"; that in this connection the Board felt that the charges for all services rendered by the applicant and

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for all materials and supplies furnished by it to the subsidiary banks should not exceed in the aggregate the cost to the applicant of the rendering or the furnishing of such services or supplies; and that a general voting permit had been authorized with the expectation that, in accordance with Mr. Kelley's statement, the service charges were to be based upon the actual pro-rated cost.

Approved unanimously.

Letter to Mr. Simon E. Sobeloff, Baltimore, Maryland, reading as follows:

"Reference is made to your letter of November 13, 1935, advising that, by direction of the Circuit Court of Baltimore City, which is liquidating the affairs of the Baltimore Trust Company, you are engaged in an inquiry into the affairs of that company; that in connection with such inquiry you are looking into the question of the Baltimore Trust Company's investments in bank buildings; and that you would appreciate data which would assist you in comparing such investments by the Baltimore Trust Company with investments in bank buildings by other institutions.

"The only data which the Board has pertaining to investments in bank buildings are furnished in the call reports of condition of member banks, a tabulation of which is published from time to time, and the reports of examination of the various State member banks, which information is not available for distribution. Inclosed is a copy of the Member Bank Call Report as of June 29, 1935, in which various tables reflect total investments in banking house, furniture and fixtures. It is believed, however, that such information will be of little, if any, service in your inquiry inasmuch as the figures represent totals and an average figure as to any group would have little significance because of the fact that in figuring an average from the table no allowance can be made for the number of banks which do not own their banking quarters. The annual reports of certain State banking departments, however, including the State of Maryland, contain statements of condition of each State bank in the State.

"You will appreciate, however, the difficulty of obtaining satisfactory comparisons from the carrying values of bank premises

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"as the figures do not reflect whether the buildings represented thereby are income producing or whether the premises serve solely as banking quarters and do not bring in any income. Another difficulty in attempting to make comparisons from statements of condition of investments in bank premises is that, in some cases, a bank does not own its quarters but has an investment in securities or obligations issued by the owner of the premises, in which case the bank's financial interest in the quarters is reflected in its loans and investments.

"As you know, the only legal limitation imposed by Federal statutes upon a member bank's investment in banking quarters is contained in Section 24A of the Federal Reserve Act, which was added to the statutes by the Banking Act of 1933, and which reads as follows:

'Hereafter no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Board of Governors of the Federal Reserve System, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank or (2) make loans to or upon the security of the stock of any such corporation, if the aggregate of all such investments and loans will exceed the amount of the capital stock of such bank.'

The laws of some States also contain limitations upon the amount that a State bank may invest in bank premises.

"It is regretted that the available data do not permit of a more comprehensive reply to your letter."

Approved unanimously.

Letter to Mr. G. Fred Berger, Chairman, Mortgage Pool Committee, Norristown, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of December 9 and the inclosed copies of the fourth draft of the suggested outline for mortgage pool legislation prepared by the Special Committee on Mortgage Pool Legislation and reported to the trust companies at the Mid-Winter Trust Conference of the Pennsylvania Bankers Association on December 6, 1935, at Harrisburg.

"The members of the staff who are most directly concerned with the drafting of regulations bearing upon this subject will arrange to meet with you on Monday afternoon, December 16, at 3:00 p. m. Such of the members of the Board as

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"may find it convenient will also attend. It is regretted, however, that because of other meetings on the following day it would not be possible to arrange for a conference on Tuesday."

Approved unanimously.

Letter to Mr. W. A. Van Duzer, Director, Vehicles and Traffic, District of Columbia, reading as follows:

"As you perhaps know, the Board of Governors of the Federal Reserve System has acquired the block immediately north of Constitution Avenue, between 20th and 21st Streets, Northwest, and is planning the erection thereon of a four story white marble building which will contain the necessary office accommodations to provide for the members of the Board and its staff. At the present time there are 313 persons in the Board's offices in Washington, including the members of the Board.

"Arrangements have been made to move the offices of the Federal Trade Commission, now located in Temporary Building No. 5 standing on the site for the Board's new building, to the Rochambeau Apartments on Connecticut Avenue and other adjacent buildings. It is understood that on October 31, 1935, there were 471 employees of the Federal Trade Commission housed in Temporary Building No. 5. The removal of the Commission's offices will relieve the vicinity of the site for the Board's new building of the necessity of accommodating the parking of cars for these employees.

"The demolition of the temporary building will begin shortly after the first of the year and as soon as that work is completed the construction of the new building will be undertaken. It is believed that the demolition of the old building and the construction of the new building would be impeded to a considerable extent if the parking of automobiles were permitted to continue along the west side of 20th Street and the east side of 21st Street, between Constitution Avenue and C Street, and on the north side of Constitution Avenue and the south side of C Street, between 20th and 21st Streets.

"When the Board's new building is completed there will be space available in the basement for the parking of approximately 50 cars of members and employees of the Board and, in addition, space for parking the cars of other employees of the Board can be made available on the vacant lot (also owned by the Board) immediately north and across C Street from the new building.

"For these reasons, and for the further reason that the parking of cars adjacent to the Board's new building will detract

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"very materially from the architectural effect of the new structure, I have been asked to submit to you the formal request of the Board that an order be issued prohibiting, after January 1, 1936, all parking in the spaces referred to in the third paragraph of this letter, with the understanding that, after the new building is completed, the order will be amended to permit persons visiting the Board's office on business to park temporarily on the south side of C Street, between 20th and 21st, during the time when they are engaged in such business.

"It would oblige the Board if you would consider the request contained in this letter and advise me of your decision in the matter as promptly as possible."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. Steeles
Chairman.