

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 17, 1935, at 12:15 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Letters dated December 14, 1935, approved by three members of the Board, to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, and December 17 to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the New York bank on December 12, by the Cleveland, Chicago and Dallas banks on December 13, and by the Minneapolis bank on December 16, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Max Lowenthal, Counsel, Senate Committee on Interstate Commerce Investigating Railroads, Washington, D. C., reading as follows:

"I have your letter of December 12, 1935, referring to my letter of August 23, 1935, and requesting in accordance therewith that the Board make available to your Committee the services of Federal Reserve Examiner Charles T.

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"Malone. In accordance with your request the Board will assign Mr. Malone to work with your Committee for a period up to six months, if necessary. It is understood that the salary of Mr. Malone will be paid by the Board during the time he is engaged with the Committee but that any traveling or other expenses incurred by him will be paid from the funds available for the investigation.

"At present Mr. Malone is assisting in the examination of one of the Federal reserve banks and, since the examination will not be completed until toward the end of this month, he will be instructed to report to your Committee Thursday, January 2, 1936. It is assumed that this arrangement will be satisfactory."

Approved unanimously.

Letter to the board of directors of the "I-C Bank and Trust Company", Chicago, Illinois, which had been revised in accordance with the action taken at the meeting of the Board on December 11, 1935, and which stated that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. The revised special condition of membership numbered 18, was as follows:

"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

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"the I-C Bank and Trust Company, must be paid.

"(In the event that shareholders of the bank fail or refuse to surrender their stock certificates for the purpose of enabling the bank to place thereon the legend referred to in the foregoing condition numbered 18, this condition will be considered as having been complied with by the inclusion in each published statement of condition of the bank of appropriate information showing the relation of the rights of the holders of outstanding Certificates of Beneficial Interest to the rights of stockholders.)"

Approved unanimously, together with a letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'I-C Bank and Trust Company', Chicago, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"It has been noted that the papers submitted with the application of this bank for membership did not include a copy of the articles of incorporation executed by it at the time of its organization in 1928, and, in order that the Board's records may be complete, it will be appreciated if you will forward to it a copy of such articles of incorporation.

"As you know, section 31 of the Banking Act of 1933, as amended, provides that a State member bank or trust company shall have not less than five nor more than twenty-five directors, and, in this connection, it has been noted from the report of examination of the applicant bank, made as of August 7, 1935, that, while the charter and by-laws of the bank fix the number of its directors at six, the bank actually has only four directors at the present time. In the circumstances, you should request the bank to take prompt action to increase the number of its directors to six or to take such action as may be necessary to amend the charter and by-laws so as to authorize the reduction in the number of its directors to five, and your counsel, prior to the bank's admission to membership, should be satisfied that its application for admission to membership and the accep-

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"tance of the conditions of membership prescribed for it are based upon validly adopted resolutions of its board of directors. Please furnish the Board with copies of any amendments which may be made to the charter and by-laws in this connection."

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

"Reference is made to Mr. Downs' letter dated November 22, 1935, regarding condition of membership numbered 21 accepted by the 'City Bank Farmers Trust Company', New York, New York, which provides in part that, prior to January 1, 1935, The National City Bank of New York, its holding company affiliate, shall have obtained from the Federal Reserve Board a general voting permit. Subsequently the time for compliance with the condition was extended to December 1, 1935.

"The Board having recently determined that The National City Bank of New York is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, that bank is not now a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act and, in the circumstances, the Board cancels the above-mentioned condition of membership accepted by City Bank Farmers Trust Company."

Approved unanimously.

Letter to Mr. H. L. Cochran, Vice President, Banco de Puerto Rico San Juan, Puerto Rico, signed by Vice Chairman Thomas, and reading as follows:

"I have noted with interest the contents of the advertisement of the statement of condition of the Banco de Puerto Rico as of November 12, 1935, which you sent me with your letter of November 30. Action upon the application of your bank for admission to membership in the Federal reserve system has been delayed pending the consideration of the Board's general policy with respect to admission of banks from the territories. I am informed that in the meantime your bank has also filed an application with the Federal Deposit Insurance Corporation.

"At a recent meeting of the Board of Governors reference was made to your application and it was decided that, as it is the policy of the Board to require, before taking final action

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"on the merits of particular applications for membership, reports of current examinations in which Federal reserve examiners have participated in accordance with the usual procedure, and as there has been no such examination of your bank for about two years, a new examination should be made. Instructions to this end have been issued and arrangements have been made with the Federal Deposit Insurance Corporation so that the examination required for their purposes and that required for our purposes will be made jointly. Upon receipt of the reports of these examinations the Board will give your application prompt consideration."

Approved unanimously.

Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, 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 Citizens and Southern National Bank", Savannah, Georgia, entitling such organization to vote the stock which it owns or controls of the following banks:

"The LaGrange National Bank", LaGrange, Georgia,
 "Albany Exchange National Bank", Albany, Georgia,

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

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"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 Citizens and Southern Holding Company 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.

Approved unanimously.

Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, 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 "Citizens and Southern Holding Company", Savannah, Georgia, entitling such organization to vote the stock which it owns or controls of the following banks:

"The LaGrange National Bank", LaGrange, Georgia,
 "Albany Exchange National Bank", Albany, Georgia,

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

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- "(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 Citizens and Southern National Bank 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.

Approved unanimously.

In connection with the above telegrams, the Board gave consideration to a memorandum dated November 12, 1935, from Mr. Baumann, Assistant Counsel, which recommended that the Board determine that The Citizens and Southern National Bank and Citizens and Southern Holding Company were 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 301 of the Banking Act of 1935.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, 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 "Transamerica Corporation", San Francisco, California, entitling such organization to vote the stock which it owns or controls of the following banks:

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"Bank of America National Trust and Savings Association",
San Francisco, California,
"The First National Bank of Portland", Portland, Oregon,
"First National Bank in Reno", Reno, Nevada,

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 with the following additional paragraph inserted following paragraph numbered 7:

'8. That all present or future obligations of Inter-America Corporation, the undersigned, and/or any organization affiliated with the undersigned or any of its subsidiaries, to Bank of America National Trust and Savings Association and/or any bank affiliated with the undersigned or with any of its subsidiaries, growing directly or indirectly out of contracts heretofore entered into by Corporation of America with Bank of America National Trust and Savings Association on June 26, 1931, December 31, 1931, and February 13, 1932, or on any other date, for the purpose of eliminating objectionable assets and/or losses from such bank, shall be paid in full on or before December 31, 1938, and that not less than one-third of the amount now owed on such obligations shall be paid on or before December 31, 1936, and not less than two-thirds of such amount shall be paid on or before December 31, 1937.'

"(2) Simultaneously with the issuance of the general voting permit authorized herein, there shall be issued to Inter-America Corporation 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.

The telegram also stated that a letter explaining the meaning of certain of the standard conditions incorporated in the aforementioned agreement

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was being mailed to Transamerica Corporation, and suggested that the assistant Federal reserve agent ascertain that such letter had been received before the permit authorized in the telegram was issued.

Approved unanimously, together with a letter to Transamerica Corporation, San Francisco, California, reading as follows:

"This refers to the letter of November 25, 1935, written to the Board on your behalf by Mr. Charles W. Collins, counsel for your corporation, with reference to the seven tentative standard conditions set out in the Board's letter of November 9, 1935, (X-9360), relating to the issuance of general voting permits. Certain comments contained in that letter will be discussed herein in order that there may be no misunderstanding concerning the meaning of the conditions as finally approved.

"Referring to the opening clause of tentative conditions numbered 2, 3, 4, 5, and 6, to the effect 'that the undersigned will take such action within its power as may be necessary to cause each of its subsidiary' corporations to perform certain actions, Mr. Collins states:

'These words therefore can mean nothing else legally except that under these tentative conditions Transamerica Corporation would agree to take such corporate action within its corporate power as may be necessary, etc. There is no other legal action which Transamerica Corporation can take, it being a body corporate. In other words under this phraseology it can take only such action as may be authorized by its own charter and by the charter, laws and regulations governing the corporate entity of its subsidiaries, for reasons well known to the Board. Transamerica Corporation could not take any corporate action to intervene into the operations of a national bank to direct its executive officers or its Board to take corporate action as a national bank. * * * * *

'With this clarification of the applicability of this clause to us we see no objection to the language in question since we would take it to be a legal obligation in so far as legally applicable and legally possible. Our management would voluntarily assume a moral obligation to make the conditions effective as far as may be practicable.'

"It is noted that, in referring to Transamerica Corporation, Mr. Collins states:

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"Its management is naturally in contact with the management of its subsidiaries and the management is thus in a position to use moral suasion and to have informal conferences and conversations with respect to the formulation and execution of policies. In this manner the policies of Transamerica Corporation and those of its subsidiaries have been made harmonious."

"As suggested elsewhere in Mr. Collins' letter, there is an important element of good faith involved in compliance with the agreement containing the standard conditions, and the conditions in question contemplate that the holding company affiliate will use, in good faith, every power, corporate or otherwise, at its disposal to cause its subsidiaries to comply with such conditions. The Board feels that in this connection the holding company affiliate cannot be properly distinguished from its management and that the officers and directors of the holding company affiliate would be required to use their powers of moral suasion and to make use of informal conferences to influence the action of the subsidiaries.

"In connection with tentative condition numbered 3, Mr. Collins states that it is assumed that the Board intends that your corporation should use its judgment as to what constitutes adequacy of capital. In connection with tentative condition numbered 7 he infers that your corporation should be the judge as to whether a given policy is sound and whether its net capital and surplus is adequate. Such an interpretation would, of course, virtually nullify the conditions and the Board feels that it is obviously contrary to their intent. The Board must make the final determination concerning these matters and concerning all other questions relating to the compliance or noncompliance with the agreement containing the conditions. Any holding company affiliate will, of course, be given every opportunity to present its views in any instance in which a question arises and, under the law, any holding company affiliate is entitled to a hearing before its permit is revoked."

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, 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 "Inter-America Corporation", San Francisco, California, en-

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titling such organization to vote the stock which it owns or controls of the following banks:

"Bank of America National Trust and Savings Association",
San Francisco, California,

"The First National Bank of Portland", Portland, Oregon,

"First National Bank in Reno", Reno, Nevada,

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 with the following additional paragraph inserted following paragraph numbered 7:

'8. That all present or future obligations of the undersigned, Transamerica Corporation, and/or any organization affiliated with Transamerica Corporation or any of its subsidiaries, to Bank of America National Trust and Savings Association and/or any bank affiliated with Transamerica Corporation or with any of its subsidiaries, growing directly or indirectly out of contracts heretofore entered into by Corporation of America with Bank of America National Trust and Savings Association on June 26, 1931, December 31, 1931, and February 13, 1932, or on any other date, for the purpose of eliminating objectionable assets and/or losses from such bank, shall be paid in full on or before December 31, 1938, and that not less than one-third of the amount now owed on such obligations shall be paid on or before December 31, 1936, and not less than two-thirds of such amount shall be paid on or before December 31, 1937.'

"(2) Simultaneously with the issuance of the general voting permit authorized herein, there shall be issued to Transamerica Corporation 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

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date of the telegram unless an extension of time was granted by the Board.

Approved unanimously.

Letter to Mr. Chas. J. McPherson, Secretary, Stockholders Protective Committee, First National Corporation of Portland, Portland, Oregon, reading as follows:

"Receipt is acknowledged of your letter of December 9, 1935, relating to the applications of Transamerica Corporation and Inter-America Corporation for permits entitling them to vote the stock which they own or control of The First National Bank of Portland, Portland, Oregon.

"After giving careful consideration to your letter, the Board is of the opinion that the matters discussed therein are not pertinent to the financial condition of Transamerica Corporation or Inter-America Corporation, the general character of their management, or the probable effect of the granting of such permits upon the affairs of The First National Bank of Portland, the matters which the law requires the Board to consider in acting upon such applications. Accordingly, the Board feels that action upon such applications should not be further delayed."

Approved unanimously.

Letter to Mr. Charles W. Collins, Attorney at Law, Washington, D. C., reading as follows:

"In its letter of December 7, 1935, the Board advised you concerning the contents of a telegram of November 29, 1935, which had been received from Mr. Chas. J. McPherson, Secretary, Stockholders Protective Committee of First National Corporation of Portland, Oregon, relating to the granting of a voting permit to Transamerica Corporation.

"You were also advised that Mr. McPherson had been afforded an opportunity to present to the Board in writing any matters which should be considered by it as pertinent to the matters which the Board is required to consider in acting upon the applications of Transamerica Corporation and Inter-America Corporation for voting permits. For your information and that of Mr. Giannini, there is inclosed herewith a copy of a letter of December 9, 1935, which has been received from Mr. McPherson."

Approved unanimously.

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

"This refers to the voting permit applications of 'Old National Corporation' and 'Investment and Securities Co.', both of Spokane, Washington.

"For the reasons set forth in its letter to you dated September 17, 1935, the Board feels that consideration of these applications for general voting permits should be deferred until such time as the organization of the group has assumed a more permanent form. Accordingly, the Board authorizes you to issue limited voting permits to such applicants, subject to the condition stated below, entitling each of such applicants to vote the stock which it owns or controls of the following banks:

'The Old National Bank and Union Trust Company of Spokane',
Spokane, Washington

'First National Bank in Spokane', Spokane, Washington

'Lewiston National Bank', Lewiston, Idaho

'The First National Bank of Moscow', Moscow, Idaho

"The permits shall authorize the applicants to vote the stock of the above banks for the following purposes:

To elect directors of such banks at the annual meetings of shareholders, or at any adjournments thereof, at any time prior to April 1, 1936, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

"The permits shall be issued only after you have received advice from the applicants, or other information satisfactory to you, showing

(a) that each of the holding company affiliates' subsidiary national banks has complied, insofar as in your judgment is practicable, with the recommendations or suggestions of the Comptroller of the Currency based upon the reports of examination of such bank made to him pursuant to authority conferred by law;

(b) that each of the holding company affiliates' subsidiary State banking institutions has complied, insofar as in your judgment is practicable, with the recommendations or suggestions of the appropriate State supervisory authorities based upon the reports of examination of such bank made to them pursuant to authority conferred by law; and

(c) that each of the holding company affiliates has substantially performed any agreement or agreements heretofore executed by it as a condition to the is-

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"suance of a limited voting permit by the Board, or has used its best efforts to do so.

"Please have the permits authorized herein prepared by counsel for your bank in accordance with the form heretofore used. Upon the issuance of such permits please forward to the Board a copy of each permit and a copy of any letters, telegrams or memoranda submitted by the applicants or their subsidiary banks, or received from any other source, in response to any request which you deem necessary in connection with the foregoing condition, and advise the Board as to the facts which satisfied such condition.

"If the applicants desire to vote the stock which they own or control of their subsidiary member banks for any purpose other than those set forth above, it will be necessary that the Board be furnished at the earliest date practicable with the necessary details of the plan or matters to be voted upon, together with your recommendations concerning any additional conditions which should be prescribed in connection with the issuance of special limited voting permits for any such purpose. A request for such special permits may be considered as a matter separate and distinct from the issuance of the limited voting permits herein authorized."

Approved unanimously.

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

"This refers to the application of 'Vollmer Security Company', Lewiston, Idaho, for a permit, under the provisions of Section 5144 of the Revised Statutes of the United States, entitling it to vote the stock which it owns or controls of 'The First National Bank of Lewiston', Lewiston, Idaho.

"In view of the pending plans for the conversion of the other banks of this group into branches of The First National Bank of Lewiston and the sale of preferred stock by such bank to the Reconstruction Finance Corporation, the Board deems it desirable to defer consideration of the granting of a general voting permit to the applicant at this time.

"It appears probable that such plans may not be consummated prior to the January, 1936, meeting of shareholders of the subsidiary national bank. Accordingly, you are hereby authorized to issue a limited voting permit to Vollmer Security Company, subject to the condition stated below, entitling it to vote the stock which it owns or controls of The First National Bank of Lewiston, Lewiston, Idaho, for the following purposes:

To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any

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"time prior to April 1, 1936, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

"The permit shall be issued only after you have received advice from the applicant, or other information satisfactory to you, showing:

- (a) That applicant's subsidiary national bank has complied, insofar as in your judgment is practicable, with the recommendations or suggestions of the Comptroller of the Currency based upon the reports of examinations of such bank made to him pursuant to authority conferred by law;
- (b) That each of applicant's subsidiary State banking institutions has complied, insofar as in your judgment is practicable, with the recommendations or suggestions of the appropriate supervisory authorities based upon the reports of examinations of such banks made to them pursuant to authority conferred by law.

"Please have the permit authorized herein prepared by counsel for your bank in accordance with the form heretofore used. Upon the issuance of such permit, please forward to the Board one copy of the permit and a copy of any letters, telegrams or memoranda submitted by the applicant or its subsidiary banks, or received from any other source, in response to any request which you deem necessary in connection with the foregoing condition, and advise the Board as to the facts which satisfied such condition.

"The Board has authorized the issuance of a limited voting permit on the basis of the facts contained in the memorandum dated November 25, 1935, prepared by your bank's Examination Department, the facts contained in its files, and in reports of examinations and files made available by the Comptroller of the Currency. If you are aware of any material facts or circumstances of which the Board has not been advised heretofore, which raise any question as to the propriety of the issuance of a limited voting permit to the applicant, or if you feel that additional requirements should be made as a condition precedent to the issuance of a limited voting permit in this case, you are requested to furnish to the Board a full statement thereof and to withhold such voting permit until you receive further instructions from the Board relative thereto.

"If the applicant desires to vote the stock which it owns or controls of its subsidiary national bank for any purposes other than those set forth above, it will be necessary that the Board be furnished, at the earliest date practicable, with the necessary details of the plan or matters to be voted upon, together with your recommendations concerning any additional requirements which should be prescribed as a condition to the issuance of a special limited

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"voting permit for any such purpose. A request for such special permit may be considered as a matter separate and distinct from the issuance of the limited voting permit herein authorized.

"Reference is made to Mr. Sonne's letter dated November 21, 1935, requesting advice from the Board in regard to assessing the cost of examination of the applicant and its subsidiaries for the purpose of making a recommendation for a general voting permit. Such examination apparently was made as a result of the Board's telegram to you dated September 26, 1935, which was in reply to your telegram of September 25, 1935, wherein you expressed the opinion that Vollmer Security Company should be determined not to be a holding company affiliate under the provisions of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and requested the Board's opinion and advice.

"For your information only, the new facts, relating to the sale of certain bank stock by the applicant and the pending rehabilitation and merger program, which were developed in the report of such examination, the report of examination of The First National Bank of Lewiston as of October 7, 1935, and Mr. Sonne's memorandum of November 25, 1935, to the Executive Committee of your bank, indicate that if the pending program is carried out, further consideration should be given to the question whether Vollmer Security Company is engaged as a business in holding the stock of, or managing or controlling, banks, unless the holding company affiliate relationship is otherwise terminated.

"In the circumstances, it seems advisable not to request the company to pay the expenses incurred by your examiner in connection with the examination if the holding company affiliate status is terminated in the near future."

Approved unanimously.

Telegram to Mr. Knoke, Assistant Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Your letter December 12. Board approves action your directors in authorizing officers your bank to make loan up to \$50,000, for not to exceed 120 days, to National Bank of Nicaragua, interest on such loan to be charged at discount rate in effect at your bank. It is understood that this authorization is in addition to two previous authorizations referred to in Board's telegrams of November 5 and 11, 1935, totaling \$300,000, under which \$275,000 has been advanced, and that all loans made under the three authorizations will be secured by gold bars valued at \$499,000 now earmarked with Federal Reserve Bank of New York. Participation in additional

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"loan by other reserve banks approved and they are being advised by letter accordingly."

Approved unanimously, together with a letter to the chairmen of all Federal reserve banks except New York, advising of the Board's action in the matter.

Telegram to The First National Bank at Orlando, Orlando, Florida, reading as follows:

"Retel December 11th regarding question whether mortgages insured under Title II of National Housing Act may be deposited by a national bank in its trust department to secure trust funds deposited in its banking department. It is not practice of Board to pass upon use of specific securities for this purpose, but Section VIII of Board's Regulation F, regarding exercise of trust powers by national banks, contemplates that securities deposited as collateral for trust funds deposited in a national bank's banking department shall be 'readily marketable'. In opinion of Board, real estate mortgages are not readily marketable securities except when they comply with conditions of marketability prescribed by Comptroller of Currency in his regulation defining 'investment securities' under section 5136 of Revised Statutes, and usual real estate first mortgage does not comply with these requirements. It appears that a mortgage eligible for insurance under Title II of the National Housing Act would not comply with these requirements. Suggest you obtain copy of Board's Regulation F and copy of Comptroller's regulation defining 'investment securities' from Assistant Federal Reserve Agent at Federal Reserve Bank of Atlanta."

Approved unanimously.

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

"Reference is made to your letter of December 2 stating that the Banking Commissioner of Texas and the various State bank members in that State are anxious to work out some arrangement whereby the requirements of both State and Federal law can be satisfied by the publication on the part of such banks of only one form of report at each call.

"It is noted that the State Banking Commissioner is considering the advisability of changing his present form of report in

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"such manner as to make it identical with the form currently prescribed by the Board for State member banks and wishes to know whether in the event the State form of report is so revised the Board of Governors would be willing to accept one publication as covering both State and Federal requirements.

"The Board is anxious to avoid the unnecessary preparation and publication of reports wherever possible and believes that one publication should be sufficient to satisfy both the State and Federal requirements if the form of the two reports is identical. You are authorized to advise the State Banking Commissioner of Texas, therefore, that if and when the form of condition report prescribed for State banks in Texas by the State Banking Department is identical with the corresponding form prescribed by the Board, the Board will be glad to accept a single publication of reports of condition rendered to the State Banking Department pursuant to requirements of State law and to your bank pursuant to the requirements of the Federal Reserve Act provided the following words appear in the published report immediately above the caption 'Assets':

'Published in accordance with calls made by the State Banking Commissioner of Texas and the Federal Reserve bank of this district'

"There are inclosed proof copies of Forms 105 and 105e, which are to be used by State bank members at the time of the next call for their condition reports. It will be appreciated if you will furnish these copies to the State Banking Commissioner of Texas for his information, in case he decides to have the face side of the report form used by State banks in submitting reports to his office identical with that used by State bank members in submitting reports to your bank."

Approved unanimously, together with a letter to the Federal reserve agents at all other Federal reserve banks inclosing a copy of the above letter for their information and guidance.

Letter to Dr. Willford I. King, President, American Statistical Association, New York, New York, reading as follows:

"Dr. Goldenweiser has brought to the attention of the Board your letter of November 30 in regard to a survey which you are conducting under the auspices of the United States Public Health Service and your desire to obtain certain information shown by the records of the Federal Reserve Bank of New York covering sickness of their employees for a number of years. The Board of Governors has requested me to advise you that it interposes no objection to the furnishing by the Federal Reserve Bank of New York of such information as the bank feels that it can with

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"propriety make available to you, with the understanding that if such information is to be included in any published report it will be combined with similar information from other sources and not shown separately."

Approved unanimously.

Letter dated December 16, 1935, approved by five members of the Board, to Mr. Paul P. Cret, Architect for the Board's new building, Philadelphia, Pennsylvania, reading as follows:

"Reference is made to your letter of December 6 in regard to the period of time prescribed by your agreement with the Board for the completion of contract drawings and specifications. Your letter has been brought to the attention of the Board's building committee and the other members of the Board.

"As you state, we are familiar with the situation which has brought about the delay to which you refer and appreciate the efforts which you are making to expedite the work. It has been, as you know, the Board's expectation that the actual construction of the building would be started at the beginning of February, and it is the intention of the Board that this should be done. With this purpose in mind arrangements are being made to start the destruction of the present temporary building not later than January 2, and to carry on this work in such manner as not to delay the building contractor. Since it appears from your letter that you are cognizant of and in sympathy with the Board's objective, and that the extension you request will put you in position to meet the Board's requirements, the Board extends until the morning of January 6, 1936, the time specified in paragraph (c) of Article 1 of the Agreement with you of June 5, 1935, for the delivery to the Board of the contract drawings, specifications, etc., including the steel framing design and drawings."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

W. S. Scales
Chairman.

Charles Morison
Secretary.