

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 21, 1935, at 11:30 a. m.

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

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

The Board acted upon the following matters:

Letters to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, stating that the Board approves the establishment without change by the Philadelphia and St. Louis banks on December 18, and by the Atlanta bank on December 20, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated December 12, 1935, from Mr. James submitting a letter dated December 6, 1935, from Mr. Attebery, Deputy Governor of the Federal Reserve Bank of St. Louis, which requested approval of changes in the personnel classification plan of the bank to provide for the new position of "Planning Clerk" in the Files, Planning and Stenographic Department, and "Manager" in the Planning and Utility Department. The memorandum stated that Mr. Attebery had advised that

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the Department title "Files, Old Records and Stenographic" had been changed to "Files, Planning and Stenographic" and that this department included the positions of "Secretary to Governor and Deputy Governor" and "Stenographer and Clerk", formerly constituting the "Miscellaneous Department" now discontinued; that the position of information clerk had been transferred from the Planning and Utility Department to the Protection Department; and that certain proposed changes in the statement of qualifications required in the positions of Manager and Clerk, and changes in description of work and qualifications in other positions, eliminated the Planning and Utility Department and the Miscellaneous Department by consolidation with another department. The memorandum also stated that Mr. James had reviewed the proposed changes and recommended their approval.

Approved unanimously.

Memorandum dated December 16, 1935, from Mr. James submitting a letter dated December 9 from Mr. Helm, Deputy Governor of the Federal Reserve Bank of Kansas City, which requested approval of changes in the personnel classification plan of the bank to provide for six new positions in various departments. The memorandum pointed out that since no salary range was indicated for the position "Credit Investigator" in the Loans, Rediscounts and Acceptances, Credit Department, it was assumed that this would be an "appraised" position.

Approved unanimously.

Letter dated December 20, 1935, approved by four members of

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the Board, to Mr. H. L. Deppen, Treasurer, Peoples Savings and Trust Company of Nanticoke, Nanticoke, Pennsylvania, reading as follows:

"This refers to your letter of November 27, 1935, stating that an application has been made to convert the Peoples Savings and Trust Company of Nanticoke into The Peoples National Bank of Nanticoke, and asking whether the national bank after the conversion can continue to exercise the trust powers now being exercised by the State institution.

"When a State institution converts into a national bank, it is necessary for such national bank to apply to the Board of Governors of the Federal Reserve System and be granted permission to exercise trust powers before it can take over any trusts held by the State institution or can acquire new trust business. In such cases, the application for such powers may be made by the State institution on behalf of the national bank into which it is to be converted, but, in connection with the issuance of permits authorizing national banks to exercise trust powers, section 11(k) of the Federal Reserve Act provides in part as follows:

'That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers.'

"It is understood that the proposed national bank will not have a capital and surplus equal to that required under the laws of the State of Pennsylvania for the exercise of trust powers by a State bank or trust company located in a place the size of Nanticoke. In the circumstances, the Board would not be authorized to grant permission to the proposed national bank to exercise trust powers, and, therefore, the bank could not lawfully take over any of the trusts now held by the Peoples Savings and Trust Company of Nanticoke. However, if you desire further information regarding this matter, it is suggested that you communicate directly with the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia who will be glad to advise you in the premises."

Approved unanimously.

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

"In accordance with recommendation contained in your



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"telegram of December 18, 1935, and upon basis of information contained therein, Board interposes no objection to assumption of deposit liabilities and purchase of certain assets of 'The First National Bank of Spearman', Spearman, Texas by 'First State Bank', Spearman, Texas, with understanding that transaction has approval of State supervisory authorities, that your counsel is satisfied as to legal aspects of case and that national bank will be placed in voluntary liquidation as soon as it is practicable to do so."

Approved unanimously.

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

"Reference is made to your letter of November 27, 1935, regarding an increase in the capital and surplus of 'The First State Bank', Ness City, Kansas, in order to comply with the provisions of membership condition numbered 15.

"The report of examination of the bank as of January 8, 1935, made by your examiners showed capital stock and surplus of \$29,400 and a net sound capital of \$31,900 as compared with deposits of \$449,400. Information submitted with your letter of November 27, 1935, indicates that the bank on November 19, 1935, had capital, surplus and undivided profits aggregating \$33,800 as compared with deposits of \$328,700. The report of examination as of January 8, 1935, indicates also that the bank had no assets classified as slow, doubtful or estimated losses, a high degree of liquidity and that it is under capable management.

"In view of all of the circumstances and your recommendation the Board agrees with you that it is unnecessary to require The First State Bank to increase its capital stock and surplus at this time under the provisions of membership condition numbered 15."

Approved unanimously.

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

"Reference is made to Mr. Young's letter of December 9, 1935, transmitting the request of the 'Saginaw State Bank', Saginaw, Michigan, for permission in accordance with the provisions of membership condition numbered 8 to purchase for \$80,000 the banking quarters now occupied by the bank's main office.

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"In view of the recommendation of your office and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to such investment in the amount indicated, and it is requested that you advise the bank accordingly.

"It is suggested that you acquaint the bank with the Board's views, which are known to your office, with respect to making adequate provision for depreciation in banking quarters owned."

Approved unanimously.

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of St. Louis made as at the close of business September 21, 1935, copies of which were left with you and Governor Martin.

"It has been noted (page 18) that the Reserve bank continues to credit income from banking house each month with the amount of rent billed to the Reconstruction Finance Corporation for space occupied by the Custodian Division even though that corporation has refused to honor such charges since the latter part of 1934, and that such unpaid charges on date of examination amounted to approximately \$18,900. The instructions contained in the Board's manual governing the preparation of earnings and expense reports which provide that 'Rent should be credited to earnings for the month within which it accrues, regardless of when received', are not intended to cover cases where there is considerable doubt as to the collectibility of the amount involved. The Board concurs in the recommendations of the examiner that the above charges for rent, together with other past due and disallowed charges against Government agencies for safekeeping services, cafeteria operations, American Institute of Banking tuition fees, etc., be credited to a suspense account until their collectibility is determined. As you know, the Board's manual governing the preparation of earnings and expense reports provides that rent receivable from Government agencies be included in 'Sundry items receivable' until paid. When considerable doubt exists as to the payment of other charges which would ordinarily be included in 'Fiscal agency expenses, reimbursable', such

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"charges should likewise be included in 'Sundry items receivable' until their collectibility is determined. It is suggested that correcting entries covering the above be made before the end of the year.

"It has been noted also (page 20) that at the request of the Farm Credit Administration, the Louisville Branch has acted as Agent in the redemption of bonds of two Joint Stock Land Banks in Louisville which were presented for payment by the Citizens Union National Bank of Louisville, and that the examiner questioned the right of the branch to perform such functions without the specific authority of the Secretary of the Treasury. The question raised by the examiner will be given further consideration by the Board and you will be advised later as to the conclusions reached.

"After the report and this letter have received the consideration of the Board of Directors of the Federal Reserve Bank, the Board would appreciate advice from you as to what action has been taken or will be taken on the matters discussed."

Approved unanimously.

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

"Reference is made to your letter of December 4, 1935, to Mr. Hamlin regarding charges for examinations of State member banks in your district. It is noted that both you and Governor Young feel that, unless all the Federal reserve banks make a charge for actual expenses in connection with examinations, you should recommend to your directors that, after January 1, 1936, your bank should absorb all expenses in connection with examinations of State member banks.

"The question of charges for examinations of State member banks has, as you know, been the subject of serious consideration by the Federal reserve agents and the Board for some time, but as yet a final conclusion as to the future policy with respect to charges for such examinations has not been reached. Pending final conclusion as to such policy, however, and until further notice, you are authorized, in your discretion, to waive the charges for examinations of State member banks.

"The majority of Federal reserve banks, as you know, are not at the present time assessing charges for examinations of State member banks and at the recent conference of assistant Federal reserve agents representatives of 11 of the Federal reserve banks expressed themselves as not in



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"favor of charging for examinations at this time.

"In your letter of July 16, 1935, to Mr. Hamlin, you referred to the situation in one State in your district where the State Banking Department did not have facilities for examining the large member banks. It is understood that, for a number of years, the only examinations of those banks have been your examinations and that charges for such examinations have consistently been made. The Board's letter to you of March 2, 1934, had particular reference to such situations, and it is believed that consideration might properly be given to making an exception to your proposed policy in such cases."

Approved unanimously, together  
with a letter to the Federal reserve  
agents at all Federal reserve banks  
inclosing a copy of the letter.

Letter to Mr. Elgin H. Lenhardt, Solicitor, Bridgeport National  
Bank, Bridgeport, Pennsylvania, reading as follows:

"This refers to your letter of November 13, 1935, regarding the question whether the transfer or assignment of a savings deposit in a member bank to the account of another depositor in that bank constitutes a withdrawal of the deposit under the Board's Regulation Q.

"The Board has hitherto expressed the opinion that a transaction whereby a savings deposit is transferred to the account of another depositor constitutes a payment of the savings deposit in question, since such a transaction would in effect make available to the savings depositor the entire amount of the funds contained in his account, thus discharging the obligation of the bank to the depositor, and since a new account in the same amount would then be opened by another depositor.

"As you know, Section 19 of the Federal Reserve Act provides that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. Pursuant to this provision of the statute, the Board has prescribed in section 5(a) of its Regulation Q, as revised to become effective January 1, 1936, that if a member bank requires notice before the payment of any amount or percentage of the savings deposits of any depositor, it shall require such notice before the payment of the same amount or percentage of the savings deposits of any other depositor which are

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"subject to the same requirement. Accordingly, if the member bank to which you refer requires notice before the payment of savings deposits, it may not lawfully allow the withdrawal of savings deposits in the manner described without requiring such notice, unless it should change its practice in this regard in accordance with the provisions of Section 5(b) of Regulation Q.

"A copy of the Board's Regulation Q, as revised to become effective January 1, 1936, is inclosed herewith for your information."

Approved unanimously.

Letter to Mr. B. F. Greer, President, Steel Products Corporation of California, San Francisco, California, reading as follows:

"This refers to your letter dated October 21, 1935, regarding the question whether the distribution, by loan, gift, or otherwise, of savings devices for coin and currency accumulation, commonly known as coin banks, constitutes the payment of interest on deposits within the meaning of the term 'interest' as used in section 19 of the Federal Reserve Act and as defined in section 1(f) of the recent revision of the Board's Regulation Q.

"You suggested the inclusion in Regulation Q of a clause designed to make it clear that the distribution of coin banks does not constitute the payment of interest on deposits. However, the Board decided that the determination of this question should be in the form of a ruling rather than a specific provision on the point in the regulation.

"It is understood that the coin banks to which you refer are used for the accumulation of coin or currency, or both; that such banks are distributed, by loan, gift, or otherwise, to savings depositors or prospective savings depositors; that the coin banks are constructed so that money placed in them can not be removed without unlocking the banks; that the distributing bank retains the key or combination to the coin banks; that the coin banks have no value except as devices to aid in the accumulation of savings and are not useful for any other purpose.

"After considering the matter the Board has reached the opinion that the distribution in the manner described above of coin banks of the type described above does not constitute the payment of interest on deposits within the meaning of section 19 of the Federal Reserve Act or section 1(f) of Regulation Q."



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Approved unanimously, together with similar letters to Mr. A. C. Prince, President, Chicago Thrift Company, Chicago, Illinois; Mr. J. A. Greer, Secretary, Bankers Utilities Company, Inc., San Francisco, California; Mr. Jos. L. Eisendrath, Jr., Secretary, Banthrico Inc., Chicago, Illinois; Mr. B. T. Moran, President, B. T. Moran, Inc., Chicago, Illinois; Mr. Mark A. Hanna, Vice President, The Bankette Company, Inc., Boston, Massachusetts; Mr. John Nutry, Brooklyn, New York; Mr. Geo. E. Carhart, President, Bankers Development Corporation, New York City; and Mr. H. J. Farrington, Farrington Manufacturing Company, Boston, Massachusetts.

Letter to the Earl Service for Banks, Boston, Massachusetts, reading as follows:

"This refers to your letter dated October 19, 1935, in which you stated that you approved the proposed definition of interest in Regulation Q and that you wished to protest against any clarification of such definition which might be construed to include in the definition of interest the cost of savings devices unless such savings devices were defined as coin savings banks and were available for no other use.

"In the revision of Regulation Q recently issued by the Board, no specific provision relating to coin banks or savings devices was included. However, the Board has recently ruled that the distribution of certain types of coin banks does not constitute the payment of interest on deposits within the meaning of section 19 of the Federal Reserve Act and section 1(f) of Regulation Q. A copy of one of the letters embodying such ruling is attached hereto."

Approved unanimously.

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

"This refers to Mr. Gidney's letter of December 6, 1935, and its inclosures, relating to the holding company affiliate status of W. R. Grace & Co. and Grace Corporation, both of New York, New York.

"Pursuant to the request of W. R. Grace & Co., the Board has determined that that company and Grace Corporation are not engaged, directly or indirectly, as a business in

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"holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935. Accordingly, they are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter of advice to W. R. Grace & Co. which you are requested to transmit to that company. A copy of the letter is also inclosed for your files. As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection it is requested that you advise the Board if, at any time, you believe that this matter should again be considered by it."

Approved unanimously, together with  
a letter to W. R. Grace & Co., New York,  
New York, reading as follows:

"This refers to your company's request that the Board determine that it is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935. It is understood that you also desire such a determination with respect to Grace Corporation, a wholly owned subsidiary of your company.

"The Board understands that your company was organized to conduct a general importing, exporting, and shipping business and that its present activities embrace a wide field of industrial, shipping, trading and miscellaneous enterprises primarily related to commerce with Central and South America; that your company owns all of the stock of Grace Corporation; that Grace Corporation owns 12,602 of the 15,000 outstanding shares of stock of Grace National Bank of New York, New York, New York; that, while such stock constitutes a substantial portion of its assets, the primary function of Grace Corporation is that of a real estate holding company; that Grace Corporation does not hold stock of, or manage or control, any other bank; that your company owns 14,685 of the 750,000 outstanding shares of stock of Corn Exchange Bank Trust Company, New York, New York, and 50% of the shares (more than 50% of those voted at the preceding election of directors) of Banco Internacional del Peru, Lima, Peru, a corporation engaged in the banking business in Peru; that bank stock constitutes a

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"relatively small portion of the assets of your company; and that neither your company nor Grace Corporation was organized or is operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that your company and Grace Corporation are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and accordingly, your company and Grace Corporation are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your company or Grace Corporation acquires control over any other bank, or if the facts should at any time otherwise differ from those set out above to an extent which would indicate that either your company or Grace Corporation might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts.

"The Board understands that you propose to have Grace Corporation transfer to your company the stock which it now holds of Grace National Bank of New York. The proposed transfer of such stock will not constitute such a change in the facts as to necessitate the submission of this matter to the Board for a further determination."

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

"Federal Reserve Agent or any Assistant Federal Reserve Agent at San Francisco is authorized to exercise such powers under Regulation T as are given to business conduct committees under section 4(e) and under the fourth paragraph of section 6 of Regulation T as amended, in respect to exceptional cases specified in those provisions. Federal reserve agent or any assistant Federal reserve agent is authorized to act in any case involving any creditor having a place of business in the twelfth Federal reserve district."

Approved unanimously.

Letter dated December 20, 1935, approved by five members of the



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Board, to Governor Harrison of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on December 11, 1935, and reading as follows:

"Following receipt of your letter of November 6, 1935, with respect to the financing of shipments of goods to belligerent nations, a copy thereof was sent to the Secretary of State, with a request for an expression of his views concerning the position taken in your letter. A reply was received from the Secretary of State under date of November 30, 1935, a copy of which is attached, together with copies of the inclosures mentioned therein.

"It will be noted that the Secretary of State refers to the inclosed statements by the President and the Secretary as setting forth the purpose and policy of the Government in respect to commercial transactions with the belligerents; that he does not feel that he can undertake to amplify these statements at this time or to issue a special ruling in respect to any particular case; and that it is assumed that all agencies of the Government and all semi-Governmental agencies will wish to conform their action to the policy set forth in the statements.

"It will also be noted that in the statement of November 15, 1935, reference is made to shipments of goods, which are considered to be essential war materials, as a class of trade which is directly contrary to the policy of the Government, and that the Secretary states in his letter that the policy with regard to these abnormal shipments of primary war materials flowed naturally from the general purpose and policy of the Government as expressed in earlier statements.

"The Board suggests that, if other inquiries similar to the one referred to in your letter be received by your bank, you reply by forwarding copies of the statements issued by the President and the Secretary of State as announcing the policy of the Government, and that you state that you are informed that the State Department advised the Board that it did not feel that it could undertake to amplify these statements at this time or to issue a special ruling in respect to any particular case.

"The Board feels that the only proper course for the Federal reserve system to follow is to cooperate with the Government in carrying out its announced policy in this matter and believes that the banks of the Federal reserve system will agree with the Board. It is not improbable, unless the situation should improve materially, that questions involving not only the attitude of the Federal reserve system but also

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"the exercise of the discount functions of the Federal reserve banks may arise. It is the feeling of the Board that such matters might well be left to be dealt with when the occasion for their consideration appears, in which event the Board will expect that these questions be brought to its attention.

"Copies of this letter are being sent to the Chairmen of all Federal reserve banks and to the Secretary of State."

Approved unanimously, together with a letter to The Secretary of State inclosing a copy of the above letter; and a letter to the chairmen of all Federal reserve banks, reading as follows:

"There are inclosed, for your information, a copy of a letter dated November 6, 1935, from Governor Harrison, of the Federal Reserve Bank of New York, a copy of a letter dated November 30, 1935, from the Secretary of State, and a copy of the Board's letter of this date to Governor Harrison, with regard to the financing of shipments of goods to belligerent nations.

"The statements referred to in the letter from the Secretary of State are also inclosed, together with a copy of the Proclamation issued by the President of the United States on October 5, 1935.

"Your attention is invited particularly to the suggestions contained in the Board's letter to Governor Harrison in connection with future inquiries received by the Federal reserve bank and with regard to the acceptance by the Federal reserve bank of paper which appears to represent the extension of credit to finance shipments of the character referred to in the inclosed statements.

"It will be appreciated if you will bring this correspondence promptly to the attention of the Governor and the directors of your bank."

Telegram to the Governors of all Federal reserve banks, reading as follows:

"Governors' Conference at its meeting in Washington on December 17 voted 'to recommend that the several Reserve Banks and the Board of Governors of the Federal Reserve System discharge their liability for prior service to the Retirement System over a period of five years at maturity value discounted at 2%.' Board of Governors approves this recommendation. In order that procedure may be uniform at all Reserve banks, please advise whether your bank will be

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"agreeable, assuming that recommendation of Governors' Conference is concurred in by Retirement System, to charge to current expenses at the end of this year an amount sufficient to bring total payments during 1935, on account of prior liability, up to one-fifth of prior liability on January 1, 1935 discounted at 2 percent and to charge current expense each month beginning January 1, 1936 with a uniform amount which in the aggregate will be sufficient to discharge prior liability by end of 1939, amounts to be charged to current expenses this year and each month thereafter account prior liability to be determined by Retirement System's actuary and furnished you by Chairman of Executive Committee of Retirement System."

Approved unanimously.

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

"There have been forwarded to you today under separate cover \_\_\_\_\_ copies of Form 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending December 31, 1935.

"It will be noted that former item 2-a has been subdivided into two new items, 'Salaries - officers' and 'Salaries and wages - employees (other than officers)', also that immediately above Section 1 two new items have been inserted for reporting the number of officers and the number of employees on the payroll at the end of the report period. It is understood that corresponding items will appear in the form of earnings and dividends reports rendered by national banks beginning with next year. Please advise State bank members that the additional information will be called for regularly hereafter, and that the collection thereof will enable the Department of Labor to discontinue monthly reports of employment and payrolls which the department now obtains from many banks. So far as the current period is concerned, the collection of the additional data will also make it possible for the Bureau of the Census to dispense with sending enumerators to the banks, as was originally contemplated, to collect employment and payroll data for inclusion in the census of business. The compilations that will be made by the Department of Labor and the Bureau of the Census will not disclose figures for individual banks; only totals for all commercial banks will be published by States and counties and perhaps by principal cities.



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"In the examination of the reports on Form 107, it is suggested that particular attention be paid to the reconciliation of the capital accounts as shown against items 14 to 17 with the corresponding items as shown in condition reports on Form 105, and the items shown in Section 3 with the corresponding items in the report for the immediately preceding report period."

Approved unanimously.

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

"In the Board's letter B-1123 of this date, transmitting blank forms for reports of earnings and dividends of State bank members, it is stated that the data on bank employment and payroll are being collected partly for the use of the Department of Labor and the Bureau of the Census. The latter organization would like to compile totals for the current report period by counties, in addition to State totals, and for this purpose it desires to distribute the figures for branches according to the counties in which they operate, rather than according to those in which the head offices of the banks are located.

"Our records indicate that the following State bank members in your district operate in more than one county:

Depositors Trust Company, Augusta, Maine  
 Merrill Trust Company, Bangor, Maine  
 Guilford Trust Company, Guilford, Maine  
 Union Trust Company, Ellsworth, Maine  
 Industrial Trust Company, Providence, R. I.  
 Union Trust Company, Providence, R. I.

"In order to enable the Bureau of the Census to make the tabulations which it desires, it will be appreciated if you will request each of the banks listed above to furnish a supplementary statement, if its records permit, showing separately for each county in which the bank operates (1) the number of officers on the payroll on December 31, 1935, (2) the number of employees (other than officers) on the payroll on December 31, 1935, (3) salaries paid to officers during the six-months report period, and (4) salaries and wages paid to employees (other than officers) during the period. If more convenient, it will be satisfactory for the bank to show figures by cities in the supplementary statement, rather than by counties."

Approved unanimously, together with similar letters to Messrs. Case and Austin, Federal

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Reserve Agents at the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, and Messrs. Fry, Clark and Sargent, Assistant Federal Reserve Agents at the Federal Reserve Banks of Richmond, Atlanta and San Francisco, respectively.

Letter to Mr. Louis Zuckerman, Counselor at Law, Brooklyn, New York, reading as follows:

"This refers to your letter dated November 11, 1935, which was received by the Board on December 12, 1935, requesting advice as to whether it is legal for a member bank of the Federal Reserve System to charge a depositor an activity charge on the ground that the amount of permanent deposit does not warrant the activity of the account.

"There appears to be no Federal statute which would prevent the imposition of such a charge by a member bank of the Federal Reserve System.

"You also ask whether such a charge must be paid by the depositor. It is not within the scope of the lawful functions of the Board to determine questions of this kind arising between a bank and its depositor and, accordingly, the Board may not properly express an opinion with respect to such question.

"You requested that, if this matter is not within the jurisdiction of the Board, this letter be referred to the department of the Federal Government that can help you. It is believed that there is no department of the Federal Government which can be of assistance to you in this matter."

Approved unanimously.

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

"This refers to your letter of November 27, 1935, with inclosures, involving a possible violation of the provisions of section 12B (v)(1) of the Federal Reserve Act by the Half Dollar Trust and Savings Bank, Wheeling, West Virginia. It is noted that you have already called the matter to the attention of the bank involved and also to the State Banking Commissioner of West Virginia and inquire whether you should also report the matter to the United States District Attorney having proper jurisdiction.

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"The Half Dollar Trust and Savings Bank is a nonmember bank which is insured by the Federal Deposit Insurance Corporation. Therefore in a case of this kind, it would seem that it would not be necessary for you to take any steps other than to call the facts involved to the attention of the Federal Deposit Insurance Corporation for such action as it deems advisable and that it is not incumbent upon you to report the matter to the local United States District Attorney. Accordingly, the Board is transmitting a copy of your letter, with inclosures, to the Federal Deposit Insurance Corporation. If in the future similar cases come to your attention which involve apparent violations of criminal provisions of a Federal statute by a nonmember insured bank, it is suggested that you merely report such violations directly to the Federal Deposit Insurance Corporation. This procedure conforms to the established procedure relating to reports of apparent violations of criminal provisions of law involving a national bank. See Board's letter of February 8, 1928 (X-5072)."

Approved unanimously, together with a letter to the Federal Deposit Insurance Corporation, reading as follows:

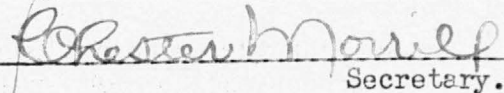
"There is inclosed herewith a copy of a letter dated November 27, 1935, which the Board has received from the Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, with inclosures, regarding a possible violation of section 12B(v)(1) of the Federal Reserve Act by the Half Dollar Trust and Savings Bank, Wheeling, West Virginia. There is also inclosed a copy of the Board's reply to the Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland.

"While the Half Dollar Trust and Savings Bank is not a member of the Federal Reserve System, it is understood that it is an insured bank under the provisions of section 12B of the Federal Reserve Act and, since it is possible that the advertisement may be a violation of the provisions of section 12B(v)(1) of the Federal Reserve Act, the matter is referred to you for such action as you may deem advisable."

Thereupon the meeting adjourned.

Approved:





Secretary.

Chairman.