

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 24, 1935, at 11:30 a. m.

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

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

The Board acted upon the following matters:

Letters to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the New York bank on December 19, and by the Kansas City bank on December 21, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Your letter December nineteenth. Board approves appointment of Raymond M. Dorsch as examiner whose appointment as assistant examiner has been previously approved by Board."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System has learned with regret from your telegram of December 20, 1935, of the death on that date of Mr. George B. Morley,

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"one of your bank's appointees to the directorate of the Detroit branch of the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"The Board of Governors approves the application of 'The Marine Trust Company of Buffalo', Buffalo, New York, for permission to establish and operate a branch at Batavia, New York, and a branch at East Aurora, New York, subject to the following conditions:

1. The establishment and operation of the branches at Batavia and East Aurora, New York, by The Marine Trust Company of Buffalo shall be approved by appropriate State authorities.
2. Prior to the establishment of branches at Batavia and East Aurora, New York, The Marine Trust Company of Buffalo shall make provision satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of New York for estimated losses, doubtful assets, and depreciation in securities as shown in the report of examination of such trust company as of July 12, 1935, made by examiners for the New York State Banking Department.

"Please advise the bank accordingly.

"Condition numbered 2 has been prescribed in accordance with the usual policy of requiring elimination of estimated losses and depreciation in securities, other than Group 1 securities, as a condition for the approval of establishment of branches.

"The Board will interpose no objection under the conditions of membership to the merger of 'The Bank of East Aurora' and Bank of Batavia with The Marine Trust Company of Buffalo in accordance with the proposed plan, provided the assets are taken over at sound values and that at least \$500,000 of the released capital of The Bank of East Aurora and the Bank of Batavia is added to the capital accounts of The Marine Trust Company of Buffalo. Please forward copies of the merger agreements as finally executed, together with copies of any amendments to the charter of The Marine Trust Company of Buffalo by reason of the transactions."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

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"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the First Trust Company of Philadelphia, Philadelphia, Pennsylvania, became a member of the Federal Reserve System on December 14, 1935, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Spencer Clinton, Secretary, The Purse Company, Chattanooga, Tennessee, reading as follows:

"This refers to your letter of December 11, 1935, requesting a copy of the order which you state the Board of Governors of the Federal Reserve System has issued to the effect that State banking departments should not examine the trust departments of national banks.

"While the Board has taken the position that, under the amendment to the third paragraph of section 11(k) of the Federal Reserve Act made by section 342 of the Banking Act of 1935, State banking authorities are not authorized to examine the books, records and assets of the trust departments of national banks which possess trust powers, although such authorities are given access to reports of examination made by the Comptroller of the Currency in so far as the reports relate to such trust departments, the Board has never issued any general order to this effect. However, the Comptroller of the Currency, under date of September 6, 1935, addressed a circular on this subject to each national bank and to the banking department of each State, and a copy of this circular is inclosed herewith for your further information."

Approved unanimously.

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Telegram to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Refer your telegram December 20, 1935. Board grants permission to 'Union Trust Company', St. Petersburg, Florida, in accordance with provisions of membership condition numbered 22 to transfer \$10,000 from special reserve account to surplus. Please advise bank accordingly."

Approved unanimously.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him, subject to the condition that at least \$500,000 of the released capital of The Bank of East Aurora and Bank of Batavia will be added to the capital accounts of The Marine Trust Company of Buffalo, to issue a limited voting permit to the "Marine Midland Corporation", Jersey City, New Jersey, entitling such organization to vote the stock which it owns or controls of "The Marine Trust Company of Buffalo", Buffalo, New York, and "The Bank of East Aurora", East Aurora, New York, at any time prior to April 1, 1936, to take such action as shall be necessary to consummate the merger of The Bank of East Aurora and Bank of Batavia with The Marine Trust Company of Buffalo and the establishment of a branch of The Marine Trust Company of Buffalo at Batavia and a branch at East Aurora, New York, all in accordance with the plan outlined in a letter of December 5, 1935, from Mr. W. W. Schneckenburger, Executive Vice President of Marine Midland Group, Inc., to Mr. R. M. Gidney, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York and the copies of Agreements of Merger submitted therewith, provided that the action taken in connection with

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the merger and establishment of the branches shall be approved by or satisfactory to the State banking authorities and the Federal Reserve Agent at the Federal Reserve Bank of New York.

Approved unanimously.

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

"Reference your letter of December 11 relating to voting permit application of 'Marine Midland Corporation', Jersey City, New Jersey. Having authorized the issuance of the general voting permit to the applicant subject to standard conditions, Board does not feel that it should grant limited permit entitling applicant to vote to elect directors and to act upon routine matters at 1936 annual meetings of stockholders of its subsidiary member banks. The tentative conditions then under consideration by the Board in connection with the granting of general voting permits were submitted to, and received careful consideration by, the applicant some weeks ago and the Board feels that the applicant will have ample time to complete its consideration of the prescribed agreement containing the standard conditions. It is understood that the applicant has expressed certain objections to paragraph lettered (D) of the prescribed agreement. Such paragraph was added pursuant to the suggestions of certain applicants in order to make it entirely clear that in the event of disagreements between a holding company affiliate and any designated representative of the Board pertaining to certain matters, the holding company affiliate should have a right to appeal to the Board. While it was not considered essential, it was incorporated for the protection of the holding company affiliates and was not intended to limit their rights or to give the Board any rights which it would not otherwise have. The Board has no objection to the omission of such paragraph from the agreement and, accordingly, the condition stated following the letter 'C' in the Board's telegram of December 9, 1935, authorizing the issuance of a general voting permit to Marine Midland Corporation, is hereby modified by adding thereto the words 'except that paragraph lettered (D) of such agreement may be omitted upon the request of the applicant'. Please advise the applicant accordingly."

Approved unanimously.

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Letter to Governor Hamilton of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of December 9 in regard to the apportionment of net earnings on industrial advances and commitments. No formal agreement has been reached with the Secretary of the Treasury in regard to provision for losses on industrial loans and the accounting procedure to be followed in determining the net earnings of the Federal Reserve banks derived from the use of the sum paid by the Secretary of the Treasury to the Reserve banks.

"In the absence of such an agreement the Board, in the second full paragraph on page 2 of its letter B-1120 of December 13 inclosing a copy of the 1936 edition of balance sheet Form 34, set forth the procedure which should be followed in respect to losses on advances and commitments. The net earnings derived from the use of the sum paid by the Secretary of the Treasury to the Reserve bank should continue to be arrived at in the manner provided in Form B-23."

Approved unanimously.

Letter to the Federal Trade Commission, signed by Mr. Miller as Chairman of the Board's Building Committee, reading as follows:

"At the conclusion of my recent talk with Messrs. March and Ferguson of your Commission it was understood that I would write you a letter confirming my oral statement to them regarding the position of the Board of Governors with respect to the demolition of Temporary Building No. 5.

"The Board was authorized by Act of Congress on June 19, 1934, to acquire a site and construct a building thereon for its use. Less than a month later the site was selected with the approval of the National Capital Park and Planning Commission and the Secretary of the Interior who recommended it to the President. The President gave his approval on July 13 and an agreement was entered into on August 14, 1934, covering the terms upon which the transfer of title would be effected. On September 19, 1934, the Board was advised by the Department of the Interior that the Federal Trade Commission would be moved within one month. However, deeds were not delivered to the Board until January 22, 1935, because of legal questions which prevented prompt transfer of satisfactory title and pending the settlement of which the Board could not proceed with its plans. In the meantime, the expected move did not materialize, and an understanding was reached that the building would be vacated June 1, 1935, but in April the In-

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terior Department advised the Board that no funds were available for the move and that it would have to be deferred until after July 1. The Board then called the attention of the Interior Department to the fact that up to that time it had not been advised that the assurances as to vacating the building were in any way conditioned upon the availability of funds and requested that the previous understanding be adhered to. Thereafter the Board was advised that arrangements had been made for moving the Commission to the Munitions Building but these arrangements were temporarily suspended by the assignment of the space to Mr. Frank Walker's organization for a period of ninety days by order of the President, subject to the approval of the Federal Reserve Board. The Board consented to the continued occupancy of its building by the Commission for a period expiring not later than September 1, 1935, and at the same time called attention to the fact that it desired that every obstacle which might delay the construction of its building be avoided. In spite of this, however, no effective steps were taken to move the Commission and further delay occurred. From this resume you will readily understand why there has been a growing feeling of dissatisfaction on the part of the Board of Governors with the failure to vacate the building, notwithstanding the fact that space was constantly being obtained and made available to other Governmental agencies during this period. The Board felt that its situation was not appreciated and that full cooperation was not being accorded to it. Therefore, the Board's Vice-Chairman, Mr. Thomas, called in person upon the Secretary of the Interior in September. The Secretary, upon being informed as to the situation, promptly agreed with the Board's viewpoint and instructed his organization to cooperate with the Board, following which Mr. Thomas was advised informally that it was hoped that possession of the space in the Munitions Building would be obtained about November 20. Prior to this the Board had obtained bids for the destruction of the temporary building and by reason of the delay was compelled to negotiate an extension of time with the high bidder, which will soon expire. Not long after the above occurrences, however, indications were received that the assurances that had been given the Board would not be carried out and Mr. Thomas called again upon Secretary Ickes, who issued instructions that the move should be made before the end of the year. Relying on these instructions, a program of which Mr. March and Mr. Ferguson were advised has been prepared for starting destruction on January 2 and for beginning construction of the new building about February 1.

"The Board regrets very much that the Commission may suffer some inconvenience in this connection and appreciates the fact that the Commission does not desire to remain in the building

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"unnecessarily but the delays which have taken place have been through no fault of the Board of Governors and are also causing it serious inconvenience. It may be added that although the Board owns the site and paid for it in full nearly a year ago it has not received any rent from the Government for the occupancy thereof and since the enabling Act of Congress authorized the Board to acquire a site for the purpose of providing quarters for the performance of its functions a question might arise as to whether under the law any other organization can properly continue to occupy the site.

"The delays which have taken place have so far curtailed the time within which the Board's building can be constructed before the expiration of the leases covering the rented space which it now occupies that the Board cannot afford to permit any further delay, and it will be necessary for the Commission to make its arrangements accordingly. Under the plan of procedure referred to the line of offices on both sides of the corridor running east and west along Constitution Avenue and the offices east of the central corridor running from north to south through the building (together with that corridor) will be cut off from the northwestern portion of the building by barricades which will be made as nearly dustproof as practicable and the necessary temporary rearrangements of steam, water and other pipes will also be made to provide for the occupancy of the eastern and southern portions of the building until January 15."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Morrie
Secretary.

Approved: [Signature]
Chairman.