

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 31, 1935, at 11:30 a. 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:

Memorandum dated December 24, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending, with the concurrence of Mr. Paulger, Chief of the Division of Examinations, that Mr. J. H. Porter, Assistant Federal Reserve Examiner, be transferred from the Division of Examinations to the Division of Bank Operations; that he be designated as a Federal Reserve Examiner; that his official headquarters be continued for the present at Atlanta, Georgia; and that his salary be fixed at the rate of \$3,900 per annum, all effective as of January 1, 1936.

Approved unanimously.

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

"Your telegram December 28. Board approves continuance until March 31, 1936, of temporary appointment of Mrs. Genevieve M. Barnett as Acting Assistant Federal Reserve Agent to act during your absence only."

Approved unanimously.

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

"Your letter December 23. Board approves temporary reappointment of Mr. G. M. Allen as Acting Assistant Federal Reserve Agent at El Paso branch, and temporary reappointment of Mr. L. M. Odom as Acting Assistant Federal Reserve Agent at branch during Mr. Allen's absence because of illness or until the appointment of his successor is approved by the Board."

Approved unanimously.

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

"Your letter December 27. Since status of examiners and assistant examiners listed remains unchanged and their appointments have already been approved by the Board, not necessary to submit their names for reapproval."

Approved unanimously.

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

"This refers to the voting permit application of 'Northwest Bancorporation', Minneapolis, Minnesota.

"In view of the problems relating to the management and the financial condition of the applicant and various units of the group, the Board does not feel justified in authorizing the issuance of a general voting permit to the applicant at this time. It is understood that you concur in the view that consideration of the issuance of a general voting permit to the applicant should be deferred.

"However, the Board authorizes you to issue a limited voting permit to such applicant, subject to the condition stated below, entitling it to vote the stock which it owns or controls of the following banks:

- 'The First National Bank of Appleton', Appleton, Minnesota
- 'The Northwestern National Bank of Dawson', Dawson, Minnesota
- 'First and American National Bank of Duluth', Duluth, Minnesota
- 'The Security National Bank and Trust Company of Faribault', Faribault, Minnesota
- 'Fergus Falls National Bank and Trust Company', Fergus Falls, Minnesota

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- "The Northwestern National Bank of Litchfield', Litchfield, Minnesota
- 'The Third Northwestern National Bank of Minneapolis', Minneapolis, Minnesota
- 'The Fourth Northwestern National Bank of Minneapolis', Minneapolis, Minnesota
- 'The Fifth Northwestern National Bank of Minneapolis', Minneapolis, Minnesota
- 'The First National Bank of Waterville', Waterville, Minnesota
- 'First National Bank in Moorhead', Moorhead, Minnesota
- 'First National Bank in Two Harbors', Two Harbors, Minnesota
- 'The Dakota National Bank & Trust Company of Bismarck', Bismarck, North Dakota
- 'The Grafton National Bank', Grafton, North Dakota
- 'The Citizens National Bank of Wahpeton', Wahpeton, North Dakota
- 'The First Citizens National Bank of Watertown', Watertown, South Dakota
- 'The Great Falls National Bank', Great Falls, Montana
- 'The Continental National Bank of Harlowton', Harlowton, Montana
- 'The National Bank of LaCrosse', LaCrosse, Wisconsin
- 'The First National Bank of Denison', Denison, Iowa
- 'The Live Stock National Bank of Sioux City', Sioux City, Iowa
- 'The First National Bank of Fairbury', Fairbury, Nebraska
- 'The United States National Bank of Omaha', Omaha, Nebraska

"The permit shall entitle the applicant to vote the stock which it owns or controls 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 permit shall be issued only after you have received advice from the applicant or other information satisfactory to you, showing

- (a) That each of the applicant's 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 applicant's subsidiary State banking

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"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 the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Board, or has used its best efforts to do so.

"The Board has authorized the issuance of this limited voting permit on the basis of the facts contained in its files and in reports of examination and files made available by the Comptroller of the Currency and the Federal Deposit Insurance Corporation. 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 the Board a full statement thereof and to withhold such limited voting permit until you receive further instructions from the Board relative thereto. If you know of no reason why a limited voting permit, for the purposes and subject to the condition above stated, should not be issued, 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 a copy of such 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.

"If the applicant desires to vote the stock which it owns or controls of its 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 a special limited 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."

Approved unanimously.

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

"Reference your letter of December 26 inclosing copy of letter of same date from 'Marine Midland Corporation', Jersey City, New Jersey, regarding issuance of limited voting permit authorizing such corporation to vote stock of its subsidiary member banks to elect directors and to transact routine business at 1936 annual meetings. Board has given careful consideration to applicant's letter but, for reasons stated in telegram to you dated December 24, has decided not to grant limited permit. Please advise applicant accordingly."

Approved unanimously.

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

"This refers to your letter dated December 23, 1935, and its inclosures, relating to the holding company affiliate status of The Normac Corporation, Somerville, Massachusetts.

"Pursuant to the request of such corporation, the Board has determined that The Normac Corporation 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. Accordingly, such corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter of advice to The Normac Corporation which you are requested to transmit to that corporation. A copy of the letter is also inclosed for your files. If you have not already done so, it may be desirable for you to call to the specific attention of the corporation the fact that the Board's action does not affect the holding company affiliate status of the corporation for the purposes of section 23A of the Federal Reserve Act.

"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 The Normac Corporation, Somerville, Massachusetts, reading as follows:

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"This refers to the letter dated December 13, 1935 from your attorney, Howard C. Connor, to the Federal Reserve Agent at the Federal Reserve Bank of Boston, requesting a determination by the Board that The Normac Corporation 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.

"The Board understands that your corporation owns 2,100 of the 4,500 outstanding shares of stock of the Somerville Trust Company, Somerville, Massachusetts, but does not own or control any other bank stock and does not own other assets of any significance; that your corporation was organized in 1934 for the purpose of assisting the Somerville Trust Company in strengthening its capital structure; that your corporation was not organized and is not operated for the purpose of managing or controlling the Somerville Trust Company and does not hold the stock of such bank for that purpose; and that your corporation now exists merely as an incident to the rehabilitation of the Somerville Trust Company.

"In view of the above facts, the Board has determined that your corporation 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, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of the Somerville Trust Company.

"If, however, your corporation should acquire control over any other bank, or if the facts should at any time differ from those stated above to an extent which would indicate that your 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."

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

"Receipt is acknowledged of Mr. Gidney's letter of

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"December 11, 1935, and its inclosures, relating to the holding company affiliate status of City Bank Farmers Trust Company, New York, New York.

"Pursuant to the request of such company, the Board has determined that City Bank Farmers Trust Company 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. Accordingly, such company is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter of advice to City Bank Farmers Trust Company which you are requested to transmit to that company. A copy of the letter is also inclosed for your files. If you have not already done so, it may be desirable for you to call to the specific attention of the company the fact that the Board's action does not affect the holding company affiliate status of the company for the purposes of section 23A of the Federal Reserve Act.

"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 the City Bank Farmers Trust Company,
New York, New York, reading as follows:

"This refers to the letter dated December 5, 1935, from your attorneys, Mitchell, Taylor, Capron & Marsh, to the Federal Reserve Agent at the Federal Reserve Bank of New York, requesting a determination by the Board that City Bank Farmers Trust Company 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.

"The Board understands that your company is principally engaged in the handling of trust business; that your company holds as trustee 1,040 of the 2,000 outstanding shares of stock of the First National Bank of Galveston, Galveston, Texas; that your company holds in various fiduciary capacities shares of stock of a number of other banks but, with the exception noted above, the shares held in such fiduciary capacities do not constitute a majority of the outstanding stock of any of such banks; that your company owns in its individual

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"capacity over 90 per cent of the stock of City Bank Farmers Trust Company, Ltd., which is organized under the laws of England and conducts a trust business in England; that your company also owns in its individual capacity a substantial portion, but less than 50 per cent, of the stock of Central Farmers Trust Company, West Palm Beach, Florida; that your company does not own or control in its individual capacity stock in any other bank, banking association, savings bank, or trust company; that your company has total assets of approximately \$111,000,000, less than 0.75 per cent of which represent its investment in City Bank Farmers Trust Company, Ltd. and Central Farmers Trust Company; and that your company was not organized and is not operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that your company 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, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your company to obtain a voting permit in order to vote the stock which it owns or controls of any of the banks referred to above.

"If, however, your company should acquire control over any other bank, or if the facts should at any time differ from those stated above to an extent which would indicate that your company 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."

Letter to Mr. James H. Perkins, Chairman of the Board of Directors, The National City Bank of New York, New York, New York, reading as follows:

"This refers to the application of 'The National City Bank of New York' for permission under the provisions of section 25 of the Federal Reserve Act to invest at the present time \$3,000,000 in the stock of the 'International Banking Corporation', a corporation which has entered into an agreement with the Board of Governors of the Federal Reserve System pursuant to the provisions of such section, and to

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"invest in the stock of such corporation from time to time within a period of not exceeding two years further sums aggregating not in excess of \$2,000,000 should The National City Bank of New York deem such further investment desirable.

"The Board of Governors of the Federal Reserve System approves the application and grants The National City Bank of New York permission to increase its investment in the capital stock of the International Banking Corporation by the purchase, within six months from the date of this letter, of additional capital stock for \$3,000,000. The Board also grants The National City Bank of New York permission to invest prior to January 1, 1938 additional amounts not exceeding \$2,000,000 in the aggregate in the stock of International Banking Corporation, provided, however, that the total investment of The National City Bank of New York in the stock of banks or banking corporations under the provisions of section 25 of the Federal Reserve Act (including such \$2,000,000, or the portion thereof proposed to be invested,) does not exceed 10 per cent of its paid-in capital stock and surplus at the time such additional investments of not exceeding \$2,000,000 are made."

Approved unanimously, with the understanding that a copy of the letter would be sent to the Federal Reserve Agent at the Federal Reserve Bank of New York and to the Comptroller of the Currency.

Letter to Mr. R. E. Stouffer, Cashier, Citizens National Bank and Trust Company, Waynesboro, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of December 19, 1935, requesting advice as to whether or not your bank would jeopardize its position by refusing to allow the State Banking Department to make any further examinations of the trust department of such bank.

"Under the provisions of section 11(k) of the Federal Reserve Act, as amended by the Banking Act of 1935, State banking authorities may have access to reports of examination of a national bank made by the Comptroller of the Currency in so far as such reports relate to the trust department of the national bank, but the State authorities are not authorized to examine the books, records and assets of the trust department of a national bank. However, a national bank may if it so desires voluntarily permit an examination of its trust department by State banking authorities. Accordingly, the question whether such voluntary permission should be

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"granted in any case is one for the determination of the particular bank in view of all the circumstances involved.

"The Board, of course, is not in a position to state what evidence the courts in Pennsylvania may require as to the right of an institution to exercise trust powers nor as to what effect the permission or refusal of a national bank to permit the State authorities to examine the trust department would have upon the volume of trust business which the bank might obtain from the courts in Pennsylvania and other sources. It is regretted, therefore, that a more definite reply to your letter cannot be made. It is assumed, of course, that your directors will give consideration to the requirements of the courts in Pennsylvania and to the other circumstances involved in the exercise of trust powers in that State before you determine whether or not you will decline to permit the State banking authorities to make any further examinations of your trust department, and you may wish to confer with the Secretary of Banking of the State of Pennsylvania regarding the matter before the decision is reached.

"For your information in case you do not already have available a copy, there is inclosed a copy of a letter which the Comptroller of the Currency addressed to all national banks on September 6, 1935, relating to the right of State banking authorities to examine the trust departments of national banks."

Approved unanimously.

Letter to Mr. H. C. Davis, Hearne, Texas, reading as follows:

"Your letter of December 10 addressed to the President of the United States has been referred to the Board of Governors of the Federal Reserve System for reply.

"Under the terms of Section 13b of the Federal Reserve Act the Federal Reserve banks have authority to make loans under certain circumstances, but it is required that they be made to established industrial or commercial businesses and only for working capital purposes. Since you desire assistance in taking care of an obligation to your local bank it is regretted that it does not appear that the Federal Reserve bank is authorized to take any action which would meet your needs.

"If, as your letter indicates, the mortgaged property has a value from two to three times the amount of the loan placed against it, it would seem that you should be able to refinance the loan with some person or corporation willing to lend on longer terms than your local bank.

"It is noted that you have already communicated with the Reconstruction Finance Corporation. Since that time, however, the law under which the Corporation operates has been amended and it might be worth your while to inquire if any changes have

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"been made which would affect the status of your loan. The Corporation has a Loan Agency at Dallas. It is also possible that the Home Owners' Loan Corporation might be of service to you, if your home property is involved. A Regional Office of the Home Owners' Loan Corporation is also at Dallas.

"The inclosures in your letter to the President are returned herewith."

Approved unanimously.

Letter 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 26, 1935, and reading as follows:

"Chairman Eccles has brought to the attention of the Board of Governors of the Federal Reserve System your letter of December 14, 1935, with which you inclosed a copy of a letter from Mr. Hjalmar Schacht, President of the Reichsbank, and a copy of your reply, with regard to the contemplated visit to the United States in January of Mr. Puhl, one of the directors of the Reichsbank.

"The Board has no objection to offer to your reply to the letter from Mr. Schacht, and will appreciate it if you will advise Mr. Puhl when he visits you that, if he should come to Washington during his stay in the United States, the members of the Board would be pleased to have him call on them."

Approved unanimously.

Telegram to Mr. Strater, Deputy Governor of the Federal Reserve Bank of Cleveland, reading as follows:

"Replying your December 27 telegram, each of the four items in the new reports of deposits for reserve purposes outlined in Board's letter X-9397 of December 19, 1935, may be shown either in full, in dollars, or to the nearest even hundred dollars. Of course, the method of reporting adopted by any bank should be consistently adhered to by such bank."

Approved unanimously.

Memorandum dated December 12, 1935, from Mr. Vest, Assistant General Counsel, stating that the Social Security Act provides that

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the taxes imposed by the Act upon employers and employees shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury, and such taxes are paid into the Treasury as internal revenue collections; that, accordingly, the Treasury Department was giving consideration to its regulations under this Act, and, in that connection, to the question of what organizations are exempt from the provisions of the Act; that Mr. Wilcox, Assistant General Counsel of the Treasury, had advised over the telephone that those in the Treasury Department considering the question whether national and State member banks of the Federal Reserve System should be held to be exempt from the provisions of the Act would be glad to have any comments the Board may care to make as to the desirability of exempting member banks of the Federal Reserve System therefrom; and that the question was presented whether the Board should submit any comments or views (not from a legal standpoint but from the standpoint of desirability of policy) to the Treasury regarding the matter. The memorandum also stated that whether the Board should submit its views on this subject was a question of policy, but that it was recommended, for the reasons discussed in the memorandum, that the Board take no action with respect to the matter and submit no comments to the Treasury at this time.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

W. S. Wheeler

Cheser Howell
Secretary.