

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 7, 1936, at 3:40 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Hamlin
Mr. Miller
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Vest, Assistant General Counsel
Mr. Kramer, Superintendent of Construction
for the Board's new building

ALSO PRESENT: Mr. William H. Livingston, Member of the firm of Paul P. Cret, Architect for the Board's new building.

Mr. Miller stated that the final plans and specifications for the Board's new building to be erected at Constitution Avenue and 20th Street, Northwest, had been submitted to the Board's building committee by the architects and had been discussed in detail by the committee, Mr. Morrill and Mr. Kramer with Mr. Livingston today. An outline of the specifications for the building had been furnished previously to the members of the Board.

Mr. Livingston referred to certain of the specifications for the Board members' offices and there was some discussion of the types of finishings that would be used in the building.

Chairman Eccles stated that he was prepared to vote in favor of the recommendation of the building committee that the plans and specifications be approved.

Other members of the Board expressed agreement with Mr. Eccles, and Mr. Hamlin

1/7/36

-2-

moved that the plans and specifications be approved, and that the Secretary be authorized to send out tomorrow formal invitations for bids to the nine contractors appearing on the first list approved by the Board at the meeting on January 2, 1936, all of which had indicated their willingness to bid on the construction of the building; it being understood that the bids would be opened at 11:00 a. m. on the morning of January 29, 1936.

Carried unanimously.

A question having been raised as to how many copies of the plans and specifications were to be furnished without charge to the bidders, Mr. Hamlin moved that the building committee be authorized to incur such expense as may be necessary to cover the cost of preparing plans and specifications and to use its own discretion as to the number of copies to be furnished without charge to the bidders, and as to conditions under which extra copies would be furnished.

Carried unanimously.

Mr. Morrill stated that it had just been ascertained that the north portion of the Board's property lying north of C Street between 20th and 21st Streets, Northwest, was under lease by the National Park Service as lessor, on a month to month basis, to a private individual who operated a private parking lot on the property, and that the National Park Service had been collecting rent for the property notwithstanding the fact that the title has been in the Board since January 22, 1935. He also stated that it was understood that the National Park Service had served notice on the lessee to vacate the property on February 6, 1936. He added that the matter was being brought to the attention of the Board.

1/7/36

-3-

at this time for such action as it might wish to take in the matter.

Mr. Miller moved that, in view of all the circumstances involved, no action be taken by the Board in the matter.

Carried unanimously.

Mr. Miller stated that in accordance with the action taken by the Board on August 21, 1935, studies had been made of a design for a new seal for the Board, and that, after conferring with Mr. Cret, Architect for the Board's new building, detailed drawings of a design had been prepared by the Bureau of Engraving and Printing and by Brewood, Engravers, Washington, D. C. The detailed drawings referred to by Mr. Miller were exhibited to the members of the Board and it was agreed unanimously that the detailed drawing prepared by the Bureau of Engraving and Printing with certain slight modifications was the more desirable one.

Mr. Miller moved that the design as modified be approved for adoption by the Board as its official seal and that the Secretary be authorized to place an order with the Bureau of Engraving and Printing for two sets of dies for the seal at \$175 per set.

Carried unanimously.

Mr. Clayton stated that he had received a telephone call from Mr. B. F. Pope, Chairman of the Board of the Marine Midland Corporation, who had requested that he and other representatives of the Corporation be given a hearing in connection with the action taken by the Board authorizing the issuance of a general voting permit to the Corporation upon

1/7/36

-4-

condition that it execute the agreement required by the Board as a condition precedent to the issuance of general voting permits. It was pointed out that the hearing of Mr. A. P. Giannini on the voting permit application of Transamerica Corporation was held before Mr. Hamlin as the member of the Board having immediate supervision over voting permit matters for the Board.

Mr. Clayton was requested to arrange with Mr. Pope for a hearing before Mr. Hamlin, and such other members of the Board as may wish to attend, at such time tomorrow as could be arranged, and the Secretary was requested to make arrangements with Hart & Dice, Shorthand Reporters, to have Mr. Macpherson of that firm make a stenographic record of the hearing.

At this point Messrs. Vest, Kramer and Livingston withdrew from the meeting, and consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Letters to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the St. Louis bank on January 2, 1936, by the Kansas City bank on January 4, 1936, and by the San Francisco bank on December 27, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

1/7/36

-5-

Letter to the board of directors of the "Rapides Bank & Trust Company in Alexandria", Alexandria, Louisiana, stating 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 Atlanta.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Rapides Bank & Trust Company in Alexandria', Alexandria, Louisiana, 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 State Bank Commissioner for the State of Louisiana for his information.

"The report of examination of the bank as of November 4, 1935, indicates that the executive committee acts as a trust committee, but that minutes are not kept of committee action with respect to the trust department. It is suggested that you call the attention of the bank to the importance of maintaining a written record reflecting the supervision given by the directors or the trust committee to the activities of the trust department.

"It has been noted that the bank has eight directors, whereas its charter provides for a board of nine and it is assumed that you will satisfy yourself that the necessary correction in this connection will be made.

"The Board has noted also that your executive committee feels that, although the loan of \$330,000 to the Red River Cotton Oil Company, Inc., is liquid, it is entirely too large for the bank to have in its portfolio, but that, in the circumstances, a requirement that the loan be substantially reduced is not in order. In this connection, it is assumed that you are satisfied that the loan is secured in a manner which leaves

1/7/36

-6-

"no doubt that it is properly classified as a commodity loan within the meaning of the State law with respect to legal limitations on loans.

"It has been noted further that the papers submitted with this bank's application for membership did not include a copy of a certificate authorizing the bank to commence business and, if such a certificate was issued, it will be appreciated if you will obtain and forward a copy to the Board to complete its records."

Telegram to Mr. Fry, Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, referring to the application of the "Bank of Elizabethtown", Elizabethtown, North Carolina, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Bank of Elizabethtown, the Federal Reserve Bank of Richmond is authorized to cancel such stock and make refund thereon. The telegram also stated that in the event the bank contemplated applying to the Federal Deposit Insurance Corporation for insurance of deposits as a nonmember it was suggested that the assistant Federal reserve agent endeavor to have the bank defer the termination of its membership in the System until it could simultaneously be accepted as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board has today approved the application of the 'Bank of Elizabethtown', Elizabethtown, North Carolina, for

1/7/36

-7-

"permission to withdraw from membership in the System and waived the usual six-months' notice of intention to withdraw. It is understood, however, that the bank may desire to continue without interruption its status as an insured bank, and the Board has suggested to the Assistant Federal Reserve Agent at Richmond, therefore, that, if such be the case, he endeavor to have the bank defer the termination of its membership in the Federal Reserve System until it can simultaneously be accepted as a nonmember insured bank.

"It is understood that, if the bank applies for continuation of insurance as a nonmember bank, you may desire to make an examination of the institution. In accordance with the provisions of subsection (k) (2) of Section 12B of the Federal Reserve Act, therefore, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Bank of Elizabethtown, Elizabethtown, North Carolina, in the event that the bank makes application for continuation of deposit insurance as a nonmember bank."

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

"Re letters December 16 and 30, regarding request of 'Union Trust Company of Maryland', Baltimore, Maryland, for amendment to membership condition numbered 21. As you know, consideration is being given to a revision of the form of call report which would show a bank's indirect ownership of other real estate as well as its direct ownership. In the circumstances, therefore, action upon the request of the Union Trust Company of Maryland will be deferred until the revision of the call report has been completed. It is hoped that the revised condition report form will be ready for use at the time of the next call for condition reports. Please advise the Union Trust Company of Maryland accordingly."

Approved unanimously.

Telegrams to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits to "Investment and Securities Co.", and to "Old National Corporation", both of Spokane, Washington, entitling such

1/7/36

-8-

organizations to vote the stock which they own or control of the "First National Bank in Spokane", Spokane, Washington, at any time prior to April 1, 1936, to make such amendments to the articles of association of such bank as shall be necessary to provide for the retirement of preferred stock in amounts of \$50,000, or less, provided that such amendments shall have been approved by the Comptroller of the Currency.

Approved unanimously.

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

"Receipt is acknowledged of your letter of January 2, 1936, and its inclosures relating to the holding company affiliate status of the Hershey Trust Company and The Hershey Industrial School, both of Hershey, Pennsylvania.

"Pursuant to the request submitted, the Board has determined that the Hershey Trust Company and The Hershey Industrial School 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. Accordingly, such institutions are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter addressed to the two institutions above referred to which you are requested to transmit to such institutions. 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 the Hershey Trust Company and The Hershey Industrial School, both of Hershey, Pennsylvania, reading as follows:

1/7/36

-9-

"This refers to the joint application by your institutions that the Board of Governors of the Federal Reserve System determine that the Hershey Trust Company, a nonmember institution, and The Hershey Industrial School are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks.

"The Board understands that the Hershey Trust Company is principally engaged in the handling of trust business; that The Hershey Industrial School is engaged principally in the support and education of orphans; that 5,000 shares of the outstanding 10,000 shares of the Hershey Trust Company are held by M. S. Hershey as trustee in trust for The Hershey Industrial School; that 4,600 shares of the Hershey Trust Company are held by the Hershey Trust Company as trustee in trust for The Hershey Industrial School; that the Hershey Trust Company owns in its own right 14 shares out of the outstanding 2,000 shares of The Hershey National Bank, of Hershey, Pennsylvania; that the Hershey Trust Company holds 1,028 shares of The Hershey National Bank as trustee in trust for The Hershey Industrial School; that 24,300 shares of the National City Bank of New York City out of the 6,200,000 shares of that bank outstanding are held by the Hershey Trust Company as trustee in trust for The Hershey Industrial School; that the Hershey Trust Company and The Hershey Industrial School do not own or control stock in any other bank, banking association, savings bank or trust company; and that neither the Hershey Trust Company nor The Hershey Industrial School is operated for the purpose of managing or controlling banks.

"In view of the above facts, the Board has determined that the Hershey Trust Company and The Hershey Industrial School 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, therefore, they are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

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

1/7/36

-10-

Letter to Mr. W. C. Neary, Assistant Vice President, Union Bank & Trust Company of Los Angeles, Los Angeles, California, reading as follows:

"This refers to your letter dated December 13, 1935, in which you request a ruling upon the question whether the Christmas Club accounts of your bank constitute savings deposits within the definition contained in section 1(e) of the revision of Regulation Q, effective January 1, 1936. Inclosed with your letter was a specimen of the Christmas Club book used by your bank and a specimen of the card on which the bank keeps a record of the deposits made in such accounts.

"The first paragraph of section 1(e) of the recent revision of Regulation Q states that 'the term "savings deposit" means a deposit, evidenced by a pass book, * * *.' The last paragraph of section 1(e) of such regulation reads as follows:

'Every withdrawal made upon presentation of a pass book shall be entered in the pass book at the time of the withdrawal, and every other withdrawal shall be entered in the pass book as soon as practicable after the withdrawal is made.'

"In view of the above provisions, it is the opinion of the Board that the term 'pass book' as used in such definition means an account book in which deposits and withdrawals are entered.

"It appears that the Christmas Club book inclosed with your letter is a book containing coupons which are stamped 'Paid' at the time the deposits are made and are torn out by the bank and retained for its records as evidence of each of the 50 weekly deposits or 'payments' made by the depositor. The book also contains a stub for each coupon which is stamped to show that a deposit has been made, such stub being retained by the depositor. It appears, however, that such book contains no provision for entries of withdrawals and, accordingly, it is the view of the Board that it is not a 'pass book' within the meaning of such term as used in section 1(e) of Regulation Q. Since the Christmas Club book does not constitute a 'pass book' within the meaning of such section, the deposit is not a savings deposit even though it may have some of the other characteristics of a savings deposit. However, as indicated in footnote 2 of the recent revision of Regulation Q, such a Christmas Club account may constitute a time deposit, open account if it meets the other requirements of the definition contained in section 1(d) of such regulation.

1/7/36

-11-

"If you have any further question regarding this matter or any similar matter, it will be appreciated if you will communicate with the Federal Reserve Bank of San Francisco, which will be glad to answer your inquiries."

Approved unanimously.

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

"This refers to your letter of December 5, 1935, in which you point out that the Board's Regulation D, as revised effective January 1, 1936, provides that whenever it appears that a member bank is not paying due regard to the maintenance of its reserves the Federal Reserve bank, rather than the Federal Reserve agent as provided in the former regulation, shall address a letter to each director of the member bank, calling attention to the situation, and also provides that if the bank continues its failure to pay due regard to the maintenance of its reserves, the Federal Reserve bank, rather than the Federal Reserve agent, shall report such fact to the Board of Governors.

"You ask to be advised whether the above-mentioned change in the provisions of Regulation D means that in the future the responsibility for carrying out the provisions of Regulation D relating to notices to directors of delinquent banks and reports to the Board of Governors rests upon the President of each Federal Reserve bank instead of upon the Federal Reserve agent.

"The law requires member banks to maintain their reserve balances with Federal Reserve banks and, accordingly, it seems appropriate that notices with respect to deficiencies in member bank reserves and reports to the Board of Governors as to member banks which are not paying due regard to the maintenance of reserves should be furnished by the Federal Reserve banks. It was for this reason that the changes in the regulation to which your letter calls attention were made. It is expected, however, that the Federal Reserve banks, in giving such notices and in making such reports, will in all cases have the benefit of all relevant information in the possession of the respective Federal Reserve agents."

Approved unanimously.

1/7/36

-12-

Thereupon the meeting adjourned.

Chester Morrell
Secretary.

Approved:

W. S. C. C. C.
Chairman.