A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 11, 1936, at 11:30 a. m.

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

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

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. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, stating that the Board approves the establishment without change by the New York bank on January 9, and by the Cleveland and Chicago banks on January 10, 1936, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated January 3, 1936, from Mr. James submitting a letter dated December 30, 1935, from Mr. Sinclair, Deputy Governor of the Federal Reserve Bank of Philadelphia, which requested approval of changes in the personnel classification plan of the bank to provide for the creation of ten new positions in certain departments of the bank. The memorandum stated that the proposed changes had been reviewed, and

recommended that they be approved.

Approved unanimously.

Letter to the board of directors of "The Peoples-Liberty Bank & Trust Company", Covington, Kentucky, 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 Cleveland.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Peoples-Liberty Bank & Trust Company', Covington, Kentucky, 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 Banking & Securities Commissioner for the Commonwealth of Kentucky for his information.

"It has been noted that, inasmuch as a complete segregation of assets is not maintained, the examiner for your bank is of the opinion that the applicant bank has not fully complied with the provisions of section 612-a of the Statutes of Kentucky, which read as follows:

'One-half of such capital stock shall be securely invested for the trust business of the corporation, and shall, at all times, be kept separate and distinct from its other assets and shall be primarily liable for its fiduciary obligations.'

"It is assumed that you will satisfy yourself that the bank complies with the statutory requirements in this respect.

"According to the report of examination as of November 15, 1935, the bank has a large investment in corporate stocks acquired on account of debts previously contracted. The carrying value of such stocks was less than the estimated market value on date of examination, and it is understood that the bank proposes to dispose of the stocks, using the profit to

"write down the book value of lower grade issues. It is assumed that this will be done.

"The report of examination indicates that the bank is liable to other bondholders for the payment of approximately $9,900 representing partial payments of principal on defaulted bonds which were applied by the bank on the bonds which it owned instead of being distributed equitably among all bondholders. The Board agrees with the opinion expressed by your examiner that such payments should be adjusted immediately and it is suggested that, in your discussions with the bank, you stress the necessity of scrupulously observing the rights of the other bondholders in such cases.

"The Board has noted the request of President Moorman referred to in your letter of December 16, 1935, for permission to continue the branch at Erlanger for a period of sixty days from date on which the bank may be accepted as a member. The requirement that such branch be discontinued prior to admission of the bank to membership is a statutory requirement which the Board has no power to modify. In order to facilitate the necessary arrangements, however, the Board has granted the bank sixty days instead of the usual thirty days from the date of the approval of the application, within which the bank may accomplish its membership.

"The amended articles of incorporation of the bank provide that its board of directors shall consist of 'not less than eleven (11) and not more than thirty-five (35)' members, and, in this connection, it is suggested that, if you have not already done so, you call the bank's attention to the provisions of section 31 of the Banking Act of 1933, as amended."

Letter to "The Farmers National Bank of Waseca", Waseca, Minnesota, reading as follows:

"This refers to the resolution adopted on September 17, 1935, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board of Governors of the Federal Reserve System understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System.

"It will be noted that the inclosed certificate which the undersigned has executed bears the seal containing the inscription 'Federal Reserve Board', while the certificate itself contains reference to the Board of Governors of the Federal Reserve System. The name of the Federal Reserve Board was changed to the Board of Governors of the Federal Reserve System by the provisions of section 203(a) of the Banking Act of 1935, approved August 23, 1935; however, until the adoption of a new seal the Board will continue to use the old seal as its official seal."

Approved unanimously.

Telegrams to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him, on condition that prior to, or simultaneously with, the issuance of the limited voting permits authorized in the telegrams there shall be issued to the applicants the limited voting permits authorized by the Board in its letter to the assistant Federal reserve agent dated December 19, 1935, to issue limited voting permits to "Consolidated Securities Company", and to "Anglo National Corporation", both of San Francisco, California, entitling such organizations to vote the stock which they own or control of the "First National Bank of Chico", Chico, California, at any time prior to April 1, 1936, to elect directors of such bank at the annual meeting

of shareholders, or at any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

Approved unanimously.

Memorandum dated January 10, 1936, from Mr. Hamlin, as the member of the Board in charge of matters pertaining to voting permits, stating that on January 8, 1936, representatives of the Marine Midland Corporation, Jersey City, New Jersey, met with certain members of the Board and the Board's staff for the purpose of submitting their views concerning the standard agreement, the execution of which the Board had prescribed as a condition to issuance of general voting permits, and that counsel for the Marine Midland Corporation had expressed the opinion that the Board had no right to require such an agreement but recognized that there might be a difference of opinion on that question and stated that the applicant desired to comply with the Board's requirement if certain changes were made in the agreement. The memorandum outlined the specific suggestions and arguments in support thereof as made by the representatives of the Corporation, and recommended that the Board approve the following telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York:

> "Representatives of Marine Midland Corporation, Jersey City, New Jersey, met with representatives of the Board on January 8, 1936, and suggested certain changes in the standard agreement prescribed by Board in connection with granting general voting permits. Such standard agreement having already been executed by many holding companies, Board does not feel that it should modify the agreement as suggested by representatives of Marine Midland Corporation, but the discussion

"contained in this telegram may be helpful to Marine Midland Corporation. Therefore, please promptly deliver a copy of this telegram to that corporation for its information.

"Board does not feel that paragraphs numbered 1 and 2 in standard agreement should be omitted in case of Marine Midland Corporation since Board is not in a position to determine definitely at this time that requirements of such paragraphs have been complied with. However, when such paragraphs have actually been complied with by Marine Midland Corporation, those paragraphs, of course, will no longer be effective.

"In connection with applicant's suggestion relating to paragraph numbered 3 of standard agreement, attention is called to fact that such paragraph requires holding company to take such action within its power as may be necessary to cause 'each' of its subsidiary banks to maintain a sound financial condition, and the Board contemplates that consideration will be given to the needs of all of the subsidiary banks.

"Paragraph numbered 4 of standard agreement requires compliance with recommendations or suggestions of Comptroller which are within scope of his general supervisory jurisdiction even though such recommendations or suggestions are not based upon any specific statutory provision. This portion of the agreement would not require compliance with recommendations or suggestions beyond supervisory jurisdiction of Comptroller. The language here used is based upon the second paragraph of section 21 of Federal Reserve Act which provides for compliance with the 'recommendations or suggestions of the Comptroller, based on said examination'. Neither provisions of section 21 just quoted nor provisions of paragraph 4 of standard agreement are limited to recommendations or suggestions of Comptroller based upon specific statutory provisions. Attention is called to fact that enforcement of provisions of paragraph 4 is vested exclusively in Board. Penalty for violation of agreement is revocation of voting permit and, before invoking such penalty, Board would be required by law to afford holding company affiliate an opportunity for a hearing. Therefore, it would appear that holding company affiliate is adequately protected against any unreasonable requirements. Detailed comments relating to paragraph 5 of standard agreement do not appear necessary.

"In connection with argument of applicant that the prescribed agreement may result in discrimination between banks which are subsidiaries of holding company affiliates and other banks, attention is directed to the fact that the execution of such agreement and the terms thereof have been prescribed by the Board in the discharge of responsibilities placed upon it by law and that any differences between the situation of banks

"which are subsidiaries of holding companies and other banks necessarily arise from the enactment of the legislation by Congress relating specifically to holding company affiliates and their banking subsidiaries.

"In connection with suggestion of Marine Midland Corporation that words 'take such action within its power as may be necessary to' be inserted in two clauses of paragraph numbered 7 of standard agreement, attention is called to the fact that throughout standard agreement that phrase has been used only in those provisions which affect other corporations and which require holding company affiliate to cause certain action by such other corporations to be taken. Clauses of paragraph numbered 7 which are in question relate solely to holding company affiliate itself and suggested amendment of paragraph numbered 7 therefore does not seem necessary or appropriate.

"The standard agreement contemplates that a holding company affiliate will use in good faith every power, corporate or otherwise, at its disposal to cause its subsidiaries to take the prescribed action. The Board feels that in this connection a holding company affiliate cannot be properly distinguished from its management and that officers and directors of a holding company affiliate would be expected to use their powers of moral suasion and to make use of informal conferences where necessary to influence the action of subsidiaries. This is merely making use of the means and methods commonly employed by any holding company in furthering the execution of policies adopted by it.

"Consideration has been given to suggestion that execution of agreement might possibly subject Marine Midland Corporation to certain State taxation. However, Board feels that in determining the conditions upon which it will grant general voting permits in the discharge of the responsibilities placed upon it by law, it cannot undertake to consider or determine the effect of local tax laws in particular situations.

"Having adopted standard agreement for execution by holding companies in connection with the granting of general voting permits, and having authorized issuance of general voting permit to Marine Midland Corporation, Board does not feel that it should comply with request of that corporation for a permit which might be surrendered at any time after the end of a period of two years at the election of that corporation.

"If the Marine Midland Corporation executes the agreement, a letter confirming the above statements will be addressed directly to that corporation for its records.

"The Board extends to January 31, 1936, the time within which you may issue to Marine Midland Corporation the general voting permit authorized in the Board's telegram to you of December 9, 1935."

Approved unanimously.

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

"This refers to your letter of December 28, 1935, recommending that the Board authorize the issuance of a limited permit to 'Marine Bancorporation', Seattle, Washington, entitling it to vote to elect directors and act on routine matters at the 1936 annual meetings of its subsidiary member banks. In connection with requests made by other holding company affiliates, the Board has taken the position that it should not authorize the issuance of such limited voting permits after it has authorized the issuance of general voting permits subject to the standard conditions and it does not feel that it can depart from that position in connection with Marine Bancorporation. In his letter of December 26, 1935, a copy of which accompanied your letter, Mr. Price, President of the applicant, raised certain questions concerning paragraphs numbered 1, 3 and 7 of the agreement to be executed as a condition to the issuance of a general voting permit to the applicant. The use of valuation reserves in the manner outlined by Mr. Price is an acceptable manner in which to make the eliminations required by paragraph numbered 1. However, on the basis of the latest information submitted to the Board, it appears that compliance with the provisions of that paragraph at this time would require eliminations amounting to substantially more than $214,810, the amount mentioned by Mr. Price. In connection with Mr. Price's suggestions relating to paragraph numbered 7, it should be noted that the clause of that paragraph which deals with net capital and surplus funds relates solely to the holding company affiliate and not to its subsidiary banks. With reference to his suggestions relating to paragraph numbered 3, the Board feels that, in view of the responsibilities placed upon it in granting general voting permits, it must consider questions as to compliance with the terms of this paragraph by applying principles of sound banking practice to the concrete facts and circumstances of the particular cases and, accordingly, it can not approve the suggested modification of this paragraph. It should also be noted that this paragraph relates to all subsidiary banks and not merely to subsidiary national banks. Please advise the applicant in accordance with this telegram."

Approved unanimously.

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

"Retel January 8 regarding voting permit applications of 'Consolidated Securities Company' and 'Anglo National Corporation'. Compliance by 'The Winters National Bank', Winters, California, with requirements relating to treatment of appreciation and depreciation in securities in connection with issuance of voting permits as discussed in Board's letters X-7705 and X-9043 may be regarded as satisfactory compliance in this respect with prescribed condition to the issuance of limited voting permits authorized in Board's letter of December 19, 1935."

Approved unanimously.

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

"This refers to your letter dated December 26, 1935, regarding the interpretation of certain provisions of Regulation Q, as revised effective January 1, 1936.

"It is understood that several of your depositors which are business corporations carry interest accounts and you wish to be advised whether, under the supplement to Regulation Q, you will be allowed to issue a certificate of deposit having a maturity at least 6 months after the date of deposit and continue to pay interest thereon at your present rate of 2½ per cent. A time certificate of deposit which complies with the definition contained in section 1(c) of Regulation Q and which has a maturity date 6 months or more after the date of deposit or is payable upon written notice of 6 months or more may bear interest at a rate not exceeding 2½ per cent per annum.

"You also state that under your present arrangement no interest is paid on any savings account unless the same has been on deposit 6 months or longer and that 30 days' notice is required for withdrawal. It is understood that you wish to be advised whether you may continue to use pass books with a six months' withdrawal provision to evidence the accounts of business corporations. The Board sees no objection to the use of a pass book to evidence a 'time deposit, open account' of a business corporation or other depositor and, if such deposit complies with the definition contained in section 1(d) of Regulation Q, the bank may pay interest thereon at a rate not exceeding the applicable maximum rate prescribed for time deposits in the supplement to Regulation Q.

"Such a deposit of a business corporation could not, of

"course, be classified as a savings deposit even though a pass book were used in connection therewith, and the bank could not pay 2½ per cent interest thereon unless the written contract between the bank and the depositor, which might be stated in the pass book or elsewhere, provided that neither the whole nor any part of such deposit could be withdrawn except upon written notice of not less than 6 months.

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

Approved unanimously.

Letter to the Federal reserve agents at all Federal reserve banks, prepared in accordance with the action taken at the meeting of the Board on January 9, 1936, and reading as follows:

"There are inclosed herewith six copies of a tentative draft of Regulation U -- Loans by Banks for the Purpose of Purchasing or Carrying Equity Securities Registered on a National Securities Exchange -- including as a foreword an explanatory statement to accompany the tentative draft. Additional copies are being sent under separate cover.

"This tentative draft is under consideration by the Board, but before taking action the Board is submitting it for criticisms and suggestions. It will be appreciated, therefore, if you and the officers and counsel of your bank will study this draft and forward your comments and suggestions thereon as promptly as may be possible. In addition, please submit copies of the tentative draft and the explanatory statement to such member and nonmember banks, representatives of securities exchanges, etc., as you may consider advisable, and obtain from them suggestions and criticisms in writing, the originals thereof to be forwarded to the Board as soon as received.

"All comments and suggestions should be forwarded to the Board within thirty days after the date of this letter.

"You will note that section 4 of the tentative draft provides that the maximum loan values of registered equity securities, for the purposes of the regulation, shall be such as the Board may prescribe from time to time in supplements to the regulation. Two alternative drafts of such a supplement are attached to the regulation. One of these includes the statutory requirements that were adopted in Regulation T for brokers and dealers. In the other, the method of determining margin requirements differs from that in Regulation T. It is the present intention of the Board, in the event that a different method is prescribed for banks when Regulation U is issued, to modify

"Regulation T so as to bring the method of determining margin requirements for brokers and dealers into conformity with that for banks.

"Attention is called, however, to the fact that the Board has authority to change margin requirements from time to time, and the inclusion of the figures in the tentative supplement to Regulation U based upon the statutory formula is not to be taken as indicating that the Board has undertaken to decide at this time what margin requirements will be included in the regulation when it shall be finally approved and promulgated."

Approved unanimously.

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

"In view of inquiries raised in connection with Board's letter X-9395 of December 17, 1935 and inclosure, you may advise State banking departments in your district that where State law or State banking department requires banks to show in published reports certain information not called for in Board's Form 105(e), Publisher's Copy of Report of Condition, but report form prescribed by State banking department is otherwise identical with the Board's form. Board will accept single publication of condition reports rendered to State banking department and to your bank provided additional information required by State law or State banking department is shown following all information called for by Board's Form 105(e) and under heading reading substantially as follows: 'Following additional items are published pursuant to requirements of State law (or State banking department)'."

Approved unanimously.

Telegram to Governor McKinney of the Federal Reserve Bank of Dallas, advising that the text, contained in his telegram of January 10, 1936, of the proposed circular letter to be sent to all member banks on the subject of industrial loans, suggested in the Board's letter of January 4, 1936, was satisfactory.

Approved unanimously.

Letter to Mr. F. G. Awalt, Deputy Comptroller of the Currency, reading as follows:

"This refers to your memorandum of January 10, 1936, transmitting an inquiry from Mr. Mark T. Valentine, attorney-at-law, Logan, West Virginia, with respect to a question raised by the National Bank of Logan, Logan, West Virginia, involving an interpretation of section 22(g) of the Federal Reserve Act.

"It appears that the National Bank of Logan holds the joint note of Mr. and Mrs. G. W. Raike for the original amount of $7,000 but which has been reduced to approximately $6,500. The loan was made and the note executed during the year 1935 at a time when Mr. Raike was not an executive officer of the bank. It appears that the board of directors of the bank now have under consideration the matter of appointing Mr. Raike as an executive officer of the bank and the question arises as to whether the appointment of Mr. Raike as an executive officer of the bank in view of the facts above would constitute a violation of the provisions of section 22(g) of the Federal Reserve Act.

"The applicable provision of section 22(g) is as follows:

'No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers * * * . '

"It is apparent that the provision quoted above refers to an executive officer of a member bank who is an executive officer thereof at the time he borrows from or otherwise becomes indebted to the member bank. Therefore, when a loan is made in good faith by a member bank to an individual who is not at that time an executive officer thereof and the loan is not made in contemplation of his becoming an executive officer of the bank, there is nothing in the statute which would prohibit such person from becoming an executive officer of such bank. However, there may be circumstances in a particular case which would involve an attempted evasion of the provision of law, and the above ruling, of course, is not applicable to a case where an attempted evasion might be involved. While the facts contained in the inquiry are not entirely clear, it does not appear that the loan in question was made with a view of evading the provisions of law in question.

"In the circumstances, the Board is of the opinion that in the event Mr. Raike is elected as an executive officer of the bank, the extension of credit in question will not constitute a violation of the provisions of section 22(g)."

Approved unanimously.

Memorandum dated January 10, 1936, from Mr. Morrill recommending that, in order that the Board might have information in its files regarding all personnel of the Federal reserve banks having an official status,

rather than only with respect to directors and senior officers, the Board approve two biographical sketch forms attached to the memorandum calling for uniform information in this respect from all Federal reserve banks, and that the forms be printed in order that a supply of each may be furnished to the Federal reserve banks.

Approved unanimously.

The following letter to the chairmen of all Federal reserve banks was also approved unanimously to be sent when the accompanying printed forms were available:

"In the Board's letter of October 31, 1922 (X-3548), the Federal reserve banks were requested to forward to the Board biographical sketches of Federal reserve bank and branch directors, governors, deputy governors, assistant Federal reserve agents and branch managers. On March 8, 1929, the Board in its letter X-6259 requested the Federal reserve banks to advise it from time to time of any changes in the business affiliations of the bank and branch directors in order that the biographical sketches might be kept up to date.

"The biographical information which the Board has received from the reserve banks in accordance with the above requests has been submitted in widely differing form, and in order that the information contained in the Board's files may be complete and of a uniform nature, you are requested to forward to the Board on forms and , which should be filled out by typewriter, such information as is called for thereon covering each director and each officer of your bank and branches, if any. Both forms should be filled out for the chairman and Federal reserve agent and for managing directors of branches. It is also requested that the Board be furnished with similar information for each person who becomes a director or officer of the bank in the future and that it be kept currently informed of any changes in the data submitted.

"The official signature of the officer concerned should be affixed at the bottom of his biographical sketch on form , but this requirement does not apply to biographical sketches of directors and it is assumed that in most cases form can be prepared at your bank from information already contained in its files. Printed copies of forms and are attached and a supply of each is being forwarded to you under separate cover. Additional copies of this form may be obtained upon request."

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the

Federal Reserve Bank of San Francisco, reading as follows:

"On January 15, 1935, Mr. H. Damerel was granted a Clayton Act permit to serve as director of The First National Bank of Azusa, Azusa, California, and as director of The First National Bank of San Dimas, San Dimas, California; and, under date of August 17, 1935, he made application for permission to serve as officer also of the San Dimas bank, but this application was not submitted to the Board or acted on prior to the enactment of the Banking Act of 1935 on August 23, 1935.

"Of course, Mr. Damerel may lawfully continue to serve as director of the two banks until February 1, 1939 for the reasons stated in section 2(c) and footnote 4 of the revised Regulation L, a copy of which was sent to you with the Board's letter of January 4, 1936 (X-9417); and he may also serve as an officer of the San Dimas bank until the annual election of directors of that bank in January of this year in view of the provisions of section 3(c) of the regulation. However, the question whether he may continue thereafter to serve as an officer of the San Dimas bank appears to depend upon whether Azusa and San Dimas are 'contiguous or adjacent' within the meaning of the statute. Accordingly, it is suggested that you consider that question in the light of footnote 8 of the regulation and advise Mr. Damerel. Of course, if after considering the matter with the assistance of your counsel there is any doubt in your mind as to the applicability of the Clayton Act, the Board will be glad to consider the matter upon receipt of full information, together with such comments as you may wish to make.

"The application filed by Mr. Damerel on August 17, 1935 shows that he was also serving as officer and director of San Dimas Savings Bank, San Dimas, California. However, his previous application, dated November 19, 1934, showed that all the stock of the savings bank was owned by the stockholders of The First National Bank of San Dimas, and therefore it appears that the prohibitions of section 8 are not applicable in so far as his relationships with these two banks are concerned. Furthermore, with respect to his serving the San Dimas Savings Bank and The First National Bank of Azusa, it appears that the savings bank was making no loans secured by stock or bond collateral within the meaning of section 8A, that he was therefore 'lawfully serving' that bank on the date of the enactment of the Banking Act of 1935, and that section 8 will therefore not prohibit such service before February 1, 1939 in any event. The question whether he may serve the savings bank and The First National Bank of Azusa after that date will apparently depend upon whether these two banks are then engaged in the same 'class or classes of business' or whether San Dimas and Azusa are 'contiguous or adjacent'. However, it does not appear to be necessary to consider this phase of the matter at this time."

Approved unanimously.

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

"Reference is made to your letter of November 5, 1935, in which you stated that, in the light of the definition of the word 'adjacent' contained in the Board's letter of October 11, 1935 (X-9341), it appears that Mr. R. W. Kinney could not continue to serve as director of Central Bank of Oakland, Oakland, California, and Crocker First National Bank of San Francisco, San Francisco, California, after the next election of directors of the national bank; and to your letter of November 7, 1935, with further reference to the same matter, in which you suggested that determination of the question whether San Francisco and Oakland should be considered as adjacent be deferred until you should have had an opportunity of discussing the matter when you were in Washington on November 18, 1935.

"It is assumed that you have now decided that the two cities are 'adjacent' and that you do not wish to submit the question to the Board for determination. However, please advise the Board if these assumptions are not correct."

Approved unanimously.

Thereupon the meeting adjourned.

Secretary.

Approved:

Chairman.