

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, January 13, 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:

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

"Under date of December 12, 1935, you advised the Board of Governors that the Federal Reserve Bank of San Francisco had on that date established without change the rates of discount and purchase in your existing schedule. In your telegram of December 26 you stated that due to the lack of a quorum the meeting of your board of directors had been postponed until the next day, and in your telegram of December 27 you advised that the bank had on that date established without change the rates of discount and purchase in your existing schedule. The rates established on December 12 and on December 27 respectively were subsequently approved by the Board of Governors.

"In this connection, the Board of Governors desires to invite attention to the requirement of section 14(d) of the Federal Reserve Act, as amended by the Banking Act of 1935, that each Federal Reserve bank shall establish rates of discount every fourteen days, or oftener if deemed necessary by the Board of Governors. This requirement of the law is definite and positive and a failure on the part of any Federal Reserve bank to establish rates of discount at least once in every fourteen day period is a failure to comply with the terms of the statute, regardless of the reason occasioning the delay. The Board of Governors feels that all possible steps should be taken by the Federal Reserve Bank to insure action upon discount rates within the period required by the statute and

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"urges that all directors and officers of the bank cooperate in such arrangements as may be necessary to accomplish this end.

"It is requested that this letter be brought to the attention of the officers of your bank and be read at the next meeting of your board of directors."

Approved unanimously, with the understanding that a copy of the letter would be sent to the chairmen of all Federal reserve banks.

Telegram to Governor McKinney of the Federal Reserve Bank of Dallas, reading as follows:

"Mr. James has advised the Board of your telephone conversation with him last Saturday regarding a proposal that your bank employ Mr. Walter L. Eddy on a temporary basis during the next few months as a bank relations man to perform work similar to that which he has been doing for the Federal Reserve Bank of Boston. It is understood that an arrangement to this end has been worked out which is mutually agreeable to Governor Young and yourself, and it is assumed that Mr. Eddy will be employed at a salary which is within the range provided for the position in the personnel classification plan of your bank. In the circumstances, Board interposes no objection to such employment."

Approved unanimously.

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

"In a letter dated January 8, 1936, the Federal Deposit Insurance Corporation advised the Board that the Traders Trust and Banking Co., Spencer, West Virginia, a member bank, had failed to file on or before November 15, 1935, as required by law, the certified statement for reporting its deposit insurance assessments for the four-month period ended December 31, 1935, based on the bank's average daily deposit liability for the month of October 1935. The Corporation also reported that the Traders Trust and Banking Co. had been advised that the statement had not been received within the prescribed time and that, when no reply was received to such advice, a letter had been forwarded by registered mail advising the bank that it must submit the statement on or before December 24, 1935.

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"The Corporation has stated that, unless an immediate correction of the bank's failure to submit the required statement is made, it will be necessary for the Corporation to proceed in accordance with the requirements of section 12B of the Federal Reserve Act, and has solicited the cooperation of the Board in securing a correction of the bank's failure to submit the required statements. As a State member bank, it is incumbent upon the Traders Trust and Banking Co. to retain its status as an insured bank, inasmuch as, under the provisions of section 12B of the Federal Reserve Act, whenever the insured status of a State member bank shall be terminated, its membership in the Federal Reserve System shall likewise be terminated. It will be appreciated, therefore, if you will get in touch with the bank immediately and use your best efforts to bring this matter to a satisfactory conclusion. Please advise the Board as to the reason for the bank's failure to submit the required statement, and keep the Board advised as to developments in the matter."

Approved unanimously, together with a similar telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, with regard to the Bank of Waldron, Waldron, Arkansas.

In connection with the above there was also approved unanimously a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"Receipt is acknowledged of your letter dated January 8, 1936, with respect to the failure of the Bank of Waldron, Waldron, Arkansas, and the Traders Trust and Banking Co., Spencer, West Virginia, members of the Federal Reserve System, to file on or before November 15, 1935, as required by law, certified statements for reporting their respective deposit insurance assessments for the four-month period ending December 31, 1935, and soliciting the cooperation of the Board in securing a correction of the banks' failure to submit the required statements.

"The Federal Reserve Agent at St. Louis and the Assistant Federal Reserve Agent at Richmond have been advised as to the situation with respect to the State member banks in the respective districts and have been requested to ascertain the reason for the failure of the respective banks to submit the required

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"statements and to use their best efforts to bring the matters to a satisfactory conclusion.

"The Board will be pleased to keep your Corporation advised as to any information which may be received regarding developments in each situation."

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Re your letter January 2, 1936, regarding inquiry you have received from Chief National Bank Examiner for your district relating to indebtedness of a vice president of national bank. Indebtedness which was incurred prior to June 16, 1933, may be renewed or extended for periods expiring not later than June 16, 1938, as provided in section 4 Board's Regulation O. Indebtedness which was incurred on May 25, 1935, does not fall within scope of Board's Regulation O but is subject to penalties provided by section 22(g) prior to Banking Act of 1935, and since a national bank is involved it is suggested that in replying to the inquiry of the Chief National Bank Examiner for your district his attention be called particularly to this phase of the matter for such action as he deems advisable. Indebtedness which was incurred on October 12, 1935, falls within scope of Board's Regulation O. Fact that the vice president in question is inactive is immaterial. Question whether any proceedings should be instituted under section 30 of the Banking Act of 1933 on account of a violation of the provisions of section 22(g) as amended August 23, 1935, by the Banking Act of 1935, involves the exercise of a reasonable discretion in the particular case, but the Board believes that in any such case an attempt should be made to obtain a correction of the violation as soon as reasonably practicable prior to the institution of any such proceedings."

Approved unanimously.

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

"Reference is made to Mr. Dunlop's letter of January 4 in regard to end-of-year charge-offs, depreciation allowances, etc. and particularly in regard to the arrangement for liquidating the bank's prior service liability under the Retirement System over a period of five years from January 1, 1935.

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"The authorization contained in the Board's telegram of December 30, 1935, TRANS 2352, to charge one forty-eighth of the unpaid balance as of January 1, 1936 of the bank's prior service liability to current expenses each month from January 1936 to December 1939 was not intended, as Mr. Dunlop apparently assumed, to revoke the authorization contained in its telegram of December 28 to set aside a reserve equal to the bank's prior service liability on January 1, 1936. Accordingly, your Board of Directors had authority to set aside on December 31, 1935, a reserve in the amount of the bank's prior service liability on January 1, 1936.

"As payments are made to the Retirement System on account of the bank's prior service liability, the amount of the payments should be charged to current expenses and a corresponding amount would be transferred to profit and loss from the reserve to cover the bank's prior service liability in case such reserve had been set aside.

"If your Board of Directors should approve the plan approved by the Board of Governors and followed by all other Federal Reserve banks, the \$57,711 to be paid as of December 31, 1935 should be included in the 1935 current expenses of the bank in accordance with the Board's telegram of December 30, 1935, TRANS 2352."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Stead
Chairman.