

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 22, 1936, 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

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. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the bank on January 21, 1936, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated January 18, 1936, from Mr. James submitting a letter dated January 10 from Governor Young of the Federal Reserve Bank of Boston, which requested changes in the personnel classification plan of the bank to provide for increases in the salary ranges for the position of "law clerk" in the Legal Department, and "secretaries" in the Secretaries and Stenographers Department, effective January 1, 1936. The memorandum stated that the proposed changes had been reviewed, and recommended that they be approved.

Approved unanimously.

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

"Reference is made to Mr. Young's letter of January 13, 1936, transmitting with a favorable recommendation the informal application of the 'Saginaw State Bank', Saginaw, Michigan, for permission, under the provisions of condition of membership numbered 1, to operate an industrial loan department. It is understood that the State Banking Department has issued a formal certificate of authority permitting the establishment of such a department. Condition of membership numbered 1 reads as follows:

'Except with the permission of the Federal Reserve Board, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.'

"It has been noted that your office is of the opinion that there is a demand in the community for the credit services which the bank desires to offer through an industrial loan department and that the establishment of such a department would not result in a change of the general character of the bank's business.

"In view of the circumstances, and in accordance with the recommendation of your office, the Board will interpose no objection to the establishment by the Saginaw State Bank of an industrial loan department. Please advise the bank accordingly."

Approved unanimously.

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

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the 'Pomeroy State Bank', Pomeroy, Washington, became a member of the Federal Reserve System on January 18, 1936, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

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

Approved unanimously.

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

"Reference is made to your letter of January 6, 1936, advising that your board of directors has directed that, subject to the approval of the Board, charges for all examinations of State member banks made by examiners for the Federal Reserve Bank of Dallas during the period from November 1, 1935, to December 31, 1936, inclusive, be waived, and that the costs of such examinations be absorbed by the Federal Reserve Bank of Dallas.

"The Board approves the action taken in this connection by the directors of the Federal Reserve Bank of Dallas, with the understanding, of course, that if the policy adopted by your bank should conflict with any future general policy which may be adopted for the System, your directors will promptly take such action as may be necessary to effect conformity therewith."

Approved unanimously.

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

"This refers to your letter of December 30, 1935, with which you inclosed copies of letters from the Peoples Trust Company of Bergen County, Hackensack, New Jersey, and the First-Stamford National Bank & Trust Company, Stamford, Connecticut, with regard to the provisions of Regulation Q which forbid the classification as savings deposits of accounts of corporations operated for profit.

"We regret to note that the banks have suggested the

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"possibility of withdrawing from the Federal Reserve System because of the definition of savings deposits in Regulation Q, and hope that they may find some method of meeting the situation, either by amendment to clearing house rules or otherwise, so that it will not be necessary for them to give further consideration to this possibility. The provisions of Regulation Q defining the term savings deposit were given careful study before their adoption. As you know, this regulation was considered by the Federal Reserve banks and was made available to others for inspection and comment. It was also considered by a committee of the American Bankers Association and by the Federal Deposit Insurance Corporation, as well as the Comptroller of the Currency. The provisions defining savings deposits were revised a number of times and as finally adopted represented the considered judgment of the Board in the light of all suggestions received.

"Regulations applicable to the payment of interest by insured nonmember banks are now under consideration by the Federal Deposit Insurance Corporation and it is hoped that these regulations, when issued, will be in such form that most of the competitive difficulty with which member banks are now confronted with respect to this matter will be eliminated."

Approved unanimously.

Letter to Mr. Edward D. Moore, Vice-President, The Indiana National Bank, Indianapolis, Indiana, reading as follows:

"This refers to your letter of January 4, 1936, suggesting that all banks doing a commercial banking business be required to remit for their checks on a par basis.

"There is no authority in the law under which banks may be prohibited from making exchange or collection charges, although no such charges may be made against the Federal Reserve banks. Section 13 of the Federal Reserve Act provides 'that nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks'. Under an opinion of the Attorney General of the United States, the limitations contained in this provision of law do not apply to banks which

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"are not connected with the Federal Reserve System either as members or depositors.

"As you doubtless know, the Federal Reserve System for many years has taken such steps as it could in the active encouragement of banks to remit for checks drawn on them on a par basis. However, while the provision of law quoted above imposes limits upon exchange and collection charges which may be made by member banks and nonmember clearing banks of the Federal Reserve System, it does not provide authority under which all banks doing a commercial business may be required to remit for their checks on a par basis."

Approved unanimously.

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

"The Board has recently been advised by the Department of Justice of its desire that apparent violations of the criminal provisions of the banking laws of the United States be reported promptly, so that there would be no danger of a prosecution failing because of the running of the statute of limitations or because the cause of action became too stale before proceedings were begun, and suggests that each State member bank be sufficiently impressed with the importance of an immediate report of criminal irregularities to the Federal Reserve Agent for the proper district.

"In the circumstances, it is suggested that you advise each State member bank in your district of the views of the Department of Justice and request each such bank to make an immediate report to your office of any apparent violation of the criminal provisions of the banking laws of the United States. It is contemplated that in connection with reports by State member banks of violations of the Act of May 18, 1934 (the Bank Robbery Statute), to local authorities and to the local field office of the Federal Bureau of Investigation in accordance with the procedure established under the Board's letter of March 15, 1935 (X-9147), State member banks should also immediately make reports of the apparent violations of such statute to your office, including advice as to whether reports have been made to the local authorities and to the local field office of the Federal Bureau of Investigation.

"Upon the receipt of a report of an apparent violation of the criminal provisions of the banking laws of the United States, or in the case of any apparent violation of such laws which otherwise comes to your attention in the performance of your duties, including any violation of the Act

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"of May 18, 1934, above referred to, involving State member banks, you are requested to make an immediate report thereof to the local United States Attorney and to the Board for submission to the Department of Justice in accordance with the usual procedure. Apparent violations of such laws which involve national banks should, of course, be handled in the manner set forth in the Board's letters of February 8, 1928 (X-5072) and September 24, 1934 (X-8017).

"The Board has had some correspondence with the Department of Justice regarding this matter, and for your information in connection therewith there is inclosed a copy of a letter from Assistant Attorney General Keenan, dated December 10, 1935."

Approved unanimously.

Telegram to the governors of all Federal reserve banks, reading as follows:


"Receipt of par list and supplements by member banks would be expedited if, as is now done in some cases, total number of copies needed by each member bank and its branches were mailed directly from Washington instead of mailing only one copy from Washington and additional copies from your bank. If this procedure is agreeable to your bank, please furnish copy of your mailing list for both the par list and the monthly supplements showing number of copies sent to each name on list. Also state number of copies you wish mailed to your bank and to each of its branches.

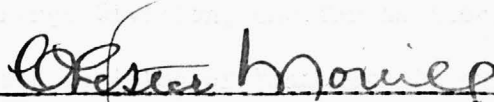
"Hereafter in advising Board of changes in par list for inclusion in monthly supplements, in response to X-7070 of January 23, 1932, please also include changes in the list of State bank members and in the list of nonmember banking institutions that maintain clearing accounts."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.