

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 6, 1936 at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Ransom

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. Curtiss, Chairman of the Federal Reserve Bank of Boston, and Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that the Board approves the establishment without change by the respective banks on February 5, 1936, of the rates of discount and purchase.

Approved unanimously.

Letter to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Your letter of February 3, 1936, regarding your desire to take a vacation of approximately three weeks beginning March 1, has been brought to the attention of the members of the Board, and they have requested me to advise you that they have no objection to your taking the leave referred to during the period stated."

Approved unanimously.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve

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Bank of New York, reading as follows:

"Reference is made to your letter of January 10, 1936, outlining the present status of loans held by the 'West Side Trust Company', Newark, New Jersey, secured by its own stock, and transmitting with your favorable recommendation a request of the bank for a further extension of the time within which to comply with the condition of membership affecting such loans, which condition is as follows:

- '21. Such bank shall, as soon as practicable and in any event within six months from the date of admission to membership, dispose of any loans which may be secured in whole or in part by its own stock or obtain the substitution of other adequate security for each such loan.'

"The bank was admitted to membership on January 6, 1934, and the Board has previously granted three extensions of the time within which the bank might comply with the provisions of the condition recited above, the last of which extensions expired on January 1, 1936.

"It has been noted that the 1,151 shares of the bank's own stock held as collateral on December 24, 1934, are still held as collateral; that some reduction has been effected on each of the three loans secured in part by such collateral; that the largest of such loans, which is secured in part by 1,000 shares of the bank's own stock, is reported to be in the process of collection and that a very substantial payment on account is expected in the near future; and that one of the other loans is an estate matter. In view of all of the circumstances, and in accordance with your recommendation, the Board extends to June 30, 1936, the time within which the West Side Trust Company may comply with the provisions of condition of membership numbered 21. The Board expects, however, that the management of the bank will use its best efforts to effect as promptly as practicable such adjustments in the loans in question as to eliminate the necessity for holding the bank's own stock as collateral. Please advise the bank accordingly.

"It has been noted, also, that, during the past year, the individual guarantors assumed their liability on the Nathan Bilder, Trustee, indebtedness; that the stock of the West Side Trust Company held in safekeeping for the Trustee was distributed pro rata among the guarantors; and that, in the eight cases where individual notes were taken to cover the liability of the former guarantors of the line, the stock distributed was taken as collateral. It is ex-

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"pected, likewise, that such loans will be adjusted as soon as practicable in order to eliminate any necessity for retaining the bank's own stock as collateral."

Approved unanimously.

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

"Standard condition of membership numbered 2 as printed in the Board's Regulation H, effective January 1, 1936, provides in part that the capital of a bank subject to such condition 'shall not be reduced except with the permission of the Board of Governors of the Federal Reserve System.' Footnote 9 in the Regulation, however, provides:

'A reduction in capital, however, shall not be deemed to be contrary to this provision if, at the same time, the capital is correspondingly increased or a specific reserve in an amount not less than the amount of the capital reduction is set aside to provide for an increase in capital and can be used for no other purpose; provided, of course, the transaction does not violate any provision of applicable laws.'

"The interpretation incorporated in the above footnote is hereby made applicable in all cases where a bank has been admitted to membership in the past subject to a condition of membership that the bank's capital shall not be reduced except with the permission of the Board. Please be guided accordingly."

Approved unanimously.

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

"Reference is made to your letter of January 24, 1936, regarding the proposed plans of 'The Plaza Bank of St. Louis', St. Louis, Missouri, for the retirement of \$30,000 preferred stock sold to the Reconstruction Finance Corporation and the increase of common stock in a like amount through the declaration of a stock dividend.

"You have previously approved, under the authorization granted in the Board's letter dated December 15, 1934, X-9048, a similar adjustment in the amount of \$20,000. In accordance with your recommendation, the Board will in-

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"terpose no objection to the proposed reduction of \$30,000 in preferred stock and the corresponding increase of \$30,000 in common stock.

"After the proposed adjustments, the bank will have \$270,000 capital and surplus, as compared with deposits of \$3,060,000 on December 31, 1935, and in order to comply with the provisions of condition of membership numbered 15 regarding the maintenance of capital ratio, the bank has requested permission to transfer to surplus \$30,000 of the \$45,000 special reserve established in accordance with condition of membership numbered 17 for the purpose of providing for any losses which may develop in the claim against the Union Trust Company of Cleveland, suspended. The report of examination of The Plaza Bank as of November 12, 1935, reflects a balance of \$58,253.64 due from the Union Trust Company of Cleveland, compared with a balance of \$45,208.85 on December 18, 1934, a 10% dividend having been received between examinations. Your letter of January 24, 1936, indicates that you have been unable to obtain definite information with respect to the probable outcome of the bank's claim against the Union Trust Company of Cleveland. Until the status of the claim can be more definitely determined, the Board feels that, in accordance with the condition of membership, an adequate reserve should be maintained. In view of the reduction in the claim, however, the Board will interpose no objection to the transfer of not more than \$10,000 from the special reserve to surplus.

"In view of the generally satisfactory condition of the bank as reflected in the report of examination as of November 12, 1935, and in accordance with your recommendation, the Board will take no action at this time requiring the Plaza Bank of St. Louis to increase its capital and surplus under the provisions of condition of membership numbered 15."

Approved unanimously.

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

"Retel February 3, 1936. Reports of indebtedness required by section 22(g) prior to amendment thereto contained in Banking Act of 1935 were to be made to the chairman of the board of directors, while under provisions of that sec-

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"tion as amended such reports are to be made to the board of directors. Accordingly, under provisions of section 5 of Regulation O, an executive officer of a member bank indebted to other banks on January 1, 1936, effective date of Regulation O, is required to report such indebtedness to board of directors of member bank of which he is an executive officer regardless of whether such indebtedness has been reported to chairman of board of directors. Footnote 2 section 5 of Regulation O merely relates to renewals or extensions of an indebtedness which has been reported to the board of directors."

Approved unanimously.

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

"Reference is made to your letter of January 21 reporting the action of the Board of Directors of your bank on certain subjects at its meeting on January 21, 1936.

"You will be advised at an early date in regard to the Board's action on salaries fixed by your Board of Directors for officers of your bank, and in the meantime the Board will interpose no objection to payment of salaries to officers of the bank at the rates previously approved by the Board and in effect on December 31, 1935.

"It is noted that Directors Clark, Grangaard and O'Connell have been appointed as a committee to meet at Denver with Directors representing the Kansas City bank and the San Francisco bank for the purpose of considering recommendations to be made to the several Boards regarding the selection of a member and alternate member of the Open Market Committee; that Directors Clark and Grangaard have been appointed a committee to visit Washington sometime after February 1 to discuss with the Board of Governors of the Federal Reserve System general policies of the bank; and that the Board of Directors are not in favor of a uniform day for holding directors' meetings throughout the System."

Approved unanimously.

Memorandum dated February 3, 1936, from Mr. Smead, Chief of the Division of Bank Operations, recommending approval of the following changes in the inter-district time schedule for cash items, which

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had been requested by the Federal Reserve Bank of Dallas and approved by the other Federal reserve banks affected:

	<u>From</u>	<u>To</u>
Dallas to Helena	4 days	3 days
Houston to Boston	4 days	3 days
San Antonio to Boston	4 days	3 days
San Antonio to Seattle	5 days	4 days

Approved unanimously.

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

"Referring your January 29 telegram regulations contained in Board's letter of January 3, 1936 (X-9411) relate only to telegraphic transfers of funds. If your proposed circular is to cover mail transfers as well as wire transfers, Board interposes no objection to changing standard clause under heading 'Liability of the Federal Reserve Bank' to read as follows:

'The Federal Reserve Bank of Dallas will use due diligence and care in the transfer of funds but will not be responsible for errors or delays caused by circumstances beyond its control.'

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morier  
Secretary.

Approved:

W. C. C. [Signature]  
Chairman.