

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 7, 1936, at 11:00 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
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel

Chairman Eccles referred to an informal discussion which he had had yesterday with the members of the Board present at this meeting with respect to the appointment of a Class "C" director and chairman and Federal reserve agent at the Federal Reserve Bank of Kansas City, and recommended the appointment to that position of Mr. J. J. Thomas, who had not been reappointed as a member of the Board of Governors.

At the conclusion of a discussion of Chairman Eccles' recommendation, Mr. Ransom moved that Mr. Thomas be appointed a Class "C" Director of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1938; that he be designated as chairman of the board of directors and Federal reserve agent for the remainder of the current year, the appointment and designation to become effective on the date when Mr. Morrison qualifies as a member of the Board of Governors provided that on or prior to that date Mr. Thomas has executed the usual oaths of office and a corporate surety bond in the approved form in the amount of \$100,000; and that his salary as chairman and Federal reserve agent be fixed at the rate of \$20,000 per annum.

Carried unanimously.

Reference was then made to the fact that Mr. A. C. Miller had served as the Board's building committee in connection with the preparation of the plans for the Board's new building, and that it was under-

2/7/36

-2-

stood that he would be available for consultation with respect to matters to be decided in connection with the construction of the Board's new building, and Chairman Eccles suggested that a letter be addressed to Mr. Miller setting forth the arrangement.

Upon motion by Mr. Szymczak, the Secretary was requested to prepare such a letter for the consideration of the Board.

The Chairman was authorized to arrange for the issuance of a press statement with regard to the appointment of Mr. Hamlin as Special Counsel to the Board, the appointment of Mr. Thomas, and the arrangement with Mr. Miller, and it was understood that no publicity would be given to the appointment of Mr. Thomas until the press statement was released.

There followed a discussion of the representation of Federal reserve banks on the Federal Open Market Committee as it will be constituted after March 1, 1936, and of the policy that should be followed by the Board in acting upon the appointments made by the boards of directors of the Federal reserve banks of presidents of the banks to serve after March 1, 1936.

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

Letters to Mr. Fry, Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, Mr. McAdams, Secretary of the Federal Reserve Bank

2/7/36

-3-

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 February 5, and by the Richmond, Kansas City and San Francisco banks on February 6, 1936, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Your letter February first. Board approves designation of George C. Muir and Thomas M. Simmons as assistant examiners. It is understood that these employees will not be transferred permanently to examining work without Board's approval."

Approved unanimously.

Letter to the board of directors of the "Ann Arbor Savings and Commercial Bank", Ann Arbor, Michigan, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's revised Regulation "H" and the following special conditions, the Board approved the application made on behalf of such bank for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago, effective if and when the bank was authorized to commence business by the Commissioner of the Banking Department of the State of Michigan:

- "4. Such bank shall make adequate provision for depreciation in its banking houses and furniture and fixtures.
- "5. Such bank shall, at the time of admission to membership, have assets and liabilities substantially the same in

2/7/36

-4-

"amount and character as shown in the pro forma statement as of January 11, 1936, submitted by the organization committee of such bank in connection with the application for membership.

- "6. Prior to admission to membership, any agreements and contracts entered into between such bank and The Farmers and Mechanics Bank, The First National Bank and Trust Company of Ann Arbor, and the Ann Arbor Savings Bank, covering the purchase of assets from, and the assumption of liabilities of, such banks, and any and all other agreements or contracts between the new bank and stockholders and/or directors or other individuals or concerns, incident to the organization of the new bank, shall have been approved by the Federal Reserve Agent at the Federal Reserve Bank of Chicago and by counsel for the Federal Reserve Bank, and prior to admission to membership the Ann Arbor Savings and Commercial Bank shall deliver two certified copies of its charter to such Federal Reserve Agent."

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

"As you were advised in a telegram of this date, the Board of Governors of the Federal Reserve System approves the application of the Ann Arbor Savings and Commercial Bank, Ann Arbor, Michigan, 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 Commissioner of the Banking Department for the State of Michigan for his information.

"Before accepting payment of, or issuing stock in the Federal Reserve Bank to the Ann Arbor Savings and Commercial Bank, Ann Arbor, Michigan, you are requested to satisfy yourself that the organization papers and all agreements and contracts entered into between it and The Farmers and Mechanics Bank, The First National Bank and Trust Company of Ann Arbor, and the Ann Arbor Savings Bank, covering the purchase of assets from, and the assumption of liabilities of, these banks and any and all other agreements or contracts between such bank and the stockholders and/or directors or other individuals or concerns incident to the organization

2/7/36

-5-

"of the Ann Arbor Savings and Commercial Bank have been considered by your counsel and that he is satisfied as to their legal aspects. It is requested that a copy of the opinion of your counsel given in this connection, together with copies of any such agreements and organization papers, including a copy of the bank's charter, be forwarded to the Board as soon as possible.

"It is understood that the Ann Arbor Savings and Commercial Bank will not have authority to exercise trust powers, and, in connection with condition of membership numbered 6, it is requested that you satisfy yourself that the charter of the bank contains no provisions granting powers other than those usually conferred upon institutions transacting a general commercial banking business.

"It is understood also that the assets to be acquired by the Ann Arbor Savings and Commercial Bank from the three banks whose business it is acquiring will be acceptable to your office and that the securities so acquired will be at not more than market values."

Letter to "The First National Bank of Albert Lea", Albert Lea, Minnesota, reading as follows:

"This refers to the resolution adopted on January 2, 1936, 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

2/7/36

-6-

"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."

Approved unanimously.

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

"Reference is made to your letter of January 27, 1936, recommending approval of a proposed reduction in capital of 'The Easton Trust Company', Easton, Pennsylvania, from \$750,000 to \$600,000, by the retirement of \$150,000 of preferred stock now held by the Reconstruction Finance Corporation.

"The Board has considered the information submitted, and, in accordance with your recommendation, approves the retirement of \$150,000 of preferred stock of The Easton Trust Company with the understanding, of course, that the transaction has the approval of the State Banking Department."

Approved unanimously.

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

"Reference is made to your letter of January 30, 1936, transmitting the request of the 'Montana Bank and Trust Co.', Great Falls, Montana, for permission in accordance with the provisions of membership condition numbered 8 to purchase for an amount not to exceed \$80,000 the banking quarters now occupied by the bank.

"In view of the circumstances, the Board interposes no objection to such investment in the amount indicated provided that the investment complies in all respects with the applicable provisions of the laws of the State of Montana.

"It is suggested that you acquaint the bank with the Board's views which are known to your office with respect to making adequate provision for depreciation in banking premises owned."

Approved unanimously.

2/7/36

-7-

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

"In compliance with the recommendation in your letter of February 1, 1936, the Board grants to the Badger State Bank, Milwaukee, Wisconsin, an extension of time to March 1, 1936, within which it may file the reports of its affiliates."

Approved unanimously.

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

"Consideration has been given to your letter of January 23, 1936, in which you state that, on the basis of the additional information which has been submitted, you believe that Mr. Charles E. Robertson, who deals in securities under the name of Charles E. Robertson & Company of Scranton, Pennsylvania, is 'primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, of stocks, bonds, or other similar securities' and that he is therefore prohibited by section 32 of the Banking Act of 1933, as amended, from serving as a director of the First National Bank, Dunmore, Pennsylvania.

"The opinion of counsel for your bank, a copy of which you inclosed, reaches the same conclusion, pointing out that the information submitted by Mr. Robertson shows that, in the conduct of his business, he purchases and sells securities as principal, and as agent for others, and also distributes securities 'at retail under selling group agreements'; and that more than 50 per cent of his profits for each of the years 1931, 1932, and 1933, approximately 31 per cent of his profits for the year 1934, and approximately 46 per cent of his profits for the year 1935 were derived from the distribution of securities under selling group agreements.

"As counsel for your bank points out, this information shows that the distribution of securities is one of Mr. Robertson's primary activities, and therefore the Board agrees with the conclusion reached by counsel for your bank that Mr. Robertson's service as a director of the national bank is prohibited by section 32 of the Banking Act of 1933. In the circumstances, it will be appreciated if

2/7/36

-8-

"you will advise the Board as to the steps which Mr. Robertson takes in order to bring his relationships into compliance with the law."

Approved unanimously.

Thereupon the meeting adjourned.

Robert M. Moore
Secretary.

Approved:

W. S. Steele
Chairman.