

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 12, 1936, at 9:40 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Broderick  
Mr. Ransom  
Mr. Morrison

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  
Mr. Goldenweiser, Director of the Division  
of Research and Statistics  
Mrs. Susan Burr Litchfield, Research Assistant,  
Division of Research and Statistics

Chairman Eccles referred to an informal discussion by members of the Board yesterday afternoon of the advice which he had received late yesterday from the Secretary of the Treasury that the Treasury Department was making a study of the methods that might be used in raising the necessary funds for the redemption of bonds issued by the Government in payment of the soldiers' bonus, and that the Department would like to know what the attitude of the members of the Board would be toward a procedure which would contemplate increasing the weekly offerings of Treasury bills from \$50,000,000 to \$100,000,000 until June 30, 1936, together with offerings of approximately \$500,000,000 of new securities, on March 16 and on June 15, 1936, in addition to the refunding operations to be carried out on those dates. Mr. Eccles stated that this procedure had been suggested as an alternative for an operation which would provide for a larger issue of new securities on March 16, April 15

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and June 15, 1936, so as to provide sufficient funds to meet the requirements for cash for the redemption of bonus bonds.

Mr. Goldenweiser presented a statement showing an estimate of the Treasury requirements for funds during the period to June 30, 1936, and the funds which would be raised if the suggested procedure referred to by Chairman Eccles were adopted which would result in the Treasury having a working balance on June 30, 1936, of approximately \$2,500,000,000.

After a detailed discussion, it was agreed by the members present that Chairman Eccles should advise the Secretary of the Treasury that, while two of the members of the Board were away from Washington and the other members had had such a limited time to consider the matter, it was their feeling that, in view of all the circumstances, the suggested alternative procedure appeared to be a desirable one.

At this point Mr. Wyatt, Mr. Goldenweiser, Mr. Thurston and Mrs. Litchfield left 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:

Letter to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the bank on February 10, 1936, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, referring to the application of the "Citi-

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zens State Bank of Westbrook", Westbrook, Minnesota, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Citizens State Bank of Westbrook, the Federal Reserve Bank of Minneapolis is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that in the event the bank contemplated applying to the Federal Deposit Insurance Corporation for insurance of deposits as a nonmember, it was suggested that the Federal reserve agent endeavor to have the bank defer the termination of its membership in the System until it could simultaneously be accepted as a nonmember insured bank. The telegram also called attention to previous advice received from the Federal Reserve Agent at Minneapolis that the banking authorities of Minnesota had agreed to accept the publication of condition reports as required under the Federal Reserve Act, and stated that since one of the reasons assigned by the Citizens State Bank of Westbrook for withdrawal from membership was that it would be required to make two publications of its condition reports, one under the Federal Reserve Act and one under State law, it was assumed that the Federal reserve agent would advise the bank fully of the present situation regarding this point in view of the possibility that in the circumstances the bank might withdraw its notice of intention to withdraw from membership.

Approved unanimously, together with a  
letter to Mr. Leo T. Crowley, Chairman of

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the Federal Deposit Insurance Corporation,  
reading as follows:

"The Board has today approved the application of the 'Citizens State Bank of Westbrook', Westbrook, Minnesota, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw. It is understood, however, that the bank may desire to continue, without interruption, its status as an insured bank and the Board has suggested to the Federal Reserve Agent at Minneapolis, therefore, that if such be the case he endeavor to have the bank defer the termination of its membership in the Federal Reserve System until it can simultaneously be accepted as a nonmember insured bank.

"It is understood that if the bank applies for a continuation of insurance as a nonmember bank you may desire to make an examination of the institution. In accordance with the provisions of subsection (k) (2) of section 12(B) of the Federal Reserve Act, therefore, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Citizens State Bank of Westbrook, Westbrook, Minnesota, in the event that the bank makes application for continuation of deposit insurance as a nonmember bank."

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. Lewis  
Chairman.