

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 13, 1936, at 11:30 a. m.

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

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. Stevens, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letters of January 24 and February 7, 1936, the Board approves the appointment by the board of directors of the Federal Reserve Bank of Chicago of Mr. George B. Moxley as a member of the Industrial Advisory Committee for a term of one year beginning March 1, 1936, to succeed Mr. Wm. R. Odell, Jr.

"Advice of the Board's approval of the reappointment by your board of directors of the other four members of the Industrial Advisory Committee was contained in a letter addressed to you under date of February 11, 1936."

Approved unanimously.

Letter to the board of directors of "The Peoples State Bank of Holland", Holland, 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 bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

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- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate, without reducing its common capital stock below \$150,000, estimated losses of \$19,664.49 as shown in the report of examination of such bank as of December 16, 1935, made by an examiner for the Federal Reserve Bank of Chicago.
- "6. Such bank shall establish and thereafter shall maintain during the life of the depositors' agreement a 'Trustees Profit Account' which shall be separate and apart from the undivided profits account of the bank and which shall clearly reflect at all times the net amount of earnings due to the trustees for the waiving depositors, and such 'Trustees Profit Account' shall not be included with the undivided profits account of the bank in any of its reports of condition or published statements.
- "7. Prior to admission to membership the board of directors of such bank shall adopt a resolution authorizing the interchange of reports and information regarding such bank between the Federal Reserve Bank of the district in which such bank is located and all State or Federal supervisory authorities having jurisdiction over such bank."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Peoples State Bank of Holland', Holland, 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 of the State of Michigan for his information.

"It has been noted from the report of examination as of December 16, 1935, that the cashier of the bank serves also as secretary-treasurer of the Ottawa Investment Company, a company reported to be a dealer in securities. It is assumed that you will satisfy yourself that such interlocking relationship

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"is brought within the provisions of section 32 of the Banking Act of 1933. Definite advice as to the method of compliance with such provisions, however, will be appreciated.

"The Board concurs in the recommendation of the Reserve Bank Committee that the bank transfer to Other Real Estate account or eliminate the assets carried in the mortgage account, representing liens on property title to which is held by the bank, and requests that you satisfy yourself that such action is taken.

"It has been noted further that the papers submitted with the bank's application for membership did not include a copy of the certificate issued by the State authorities authorizing the bank to commence business. It is possible that such a certificate was not required at the time of the organization of the bank in 1905, but, if it was required, it will be appreciated if you will obtain and forward a copy to the Board for its records."

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 'Glen Rock Bank', Glen Rock, New Jersey, became a member of the Federal Reserve System on February 7, 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:

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.

"There is attached for your information a memorandum prepared by the Federal Reserve Agent at the Federal Reserve Bank of New York in connection with the bank's application for membership in the System."

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 February 4, 1936, transmitting the request of the 'Saginaw State Bank', Saginaw, Michigan, for permission in accordance with the provisions of membership condition numbered 8 to purchase for \$21,500 a building including equipment for the use of its branch office.

"In view of the recommendation of your office and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to such investment in the amount indicated and it is requested that you advise the bank accordingly.

"It is suggested that if you have not already done so you acquaint the bank with the Board's views which are known to your office with respect to making adequate provisions for depreciation in banking quarters owned."

Approved unanimously.

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

"Receipt is acknowledged of your letter of February 4, 1936, in which you advised that you understand that the Board's letter of January 31, 1936 (X-9475), relating to the reduction of capital of State member banks in places having a population which does not exceed 3,000 inhabitants, does not have reference to reductions of capital notes or debentures sold to others than the Reconstruction Finance Corporation but does apply to reductions of preferred stock whether sold to the Reconstruction Finance Corporation or to others.

"Your interpretation of the Board's letter is correct. When Congress amended section 9 of the Federal Reserve Act on June 16, 1934, so as to authorize the inclusion of capital notes and debentures in the terms 'capital' and 'capital stock' for purposes of membership of State banking institutions in the Federal Reserve System, it restricted such authority to 'capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation'. Accordingly, in issuing the instructions contained in its letter (X-9475) with regard to reductions of capital of State

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"banking institutions located in places having a population which does not exceed 3,000 inhabitants, it was not necessary for the Board to include any advice as to reductions of capital notes or debentures sold to others than the Reconstruction Finance Corporation since such capital notes or debentures may not be included in determining whether a member State banking institution has the minimum capital necessary to meet the technical requirements of the provisions of the Federal Reserve Act. As you know, general instructions relating to reductions in capital notes or debentures sold to others than the Reconstruction Finance Corporation are included in the Board's letter (X-9048)."

Approved unanimously.

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

"Retel February 7. Board's letter X-9480 does not supersede or modify instructions in letter X-9048 authorizing Federal reserve agents within certain restrictions to approve on Board's behalf reductions by State member banks of preferred stock and capital notes and debentures. Letter X-9480 merely extends to all banks subject to a condition of membership providing that the bank's capital shall not be reduced except with the permission of the Board the interpretation incorporated in Footnote 9 of the revised Regulation H, thereby making it unnecessary in certain cases for approval to be obtained under the condition of membership for a reduction in capital if at the same time capital is correspondingly increased."

Approved unanimously.

Letter to Governor Newton of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of January 31 stating that, in view of the amendment of Section 19 of the Federal Reserve Act by the Banking Act of 1935, your bank has had under consideration the issuance of a new circular on the subject of required reserves of member banks to take the place of the existing circular (presumably F-2 dated March 16, 1932), but that after some discussion among the officers and a conference with counsel the conclusion has been reached that another circular would serve no useful purpose, in view of the fact

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"that the entire subject matter of the circular would be simply a re-statement of what is set out in a very comprehensive and understandable way in Regulation D.

"In the circumstances set forth in your letter it would seem that, instead of issuing a new circular, it will be preferable as stated by you to advise the member banks to disregard the existing circular and to consult Regulation D for information regarding required reserves and related matters. It might be well, however, to remind the member banks also that rulings and interpretations of general interest, pertaining to Regulation D as well as the other regulations, are published regularly in the Federal Reserve Bulletin."

Approved unanimously.


Letter to Mr. Adolph C. Miller, prepared in accordance with the action taken at the meeting of the Board on February 7, 1936, and reading as follows:

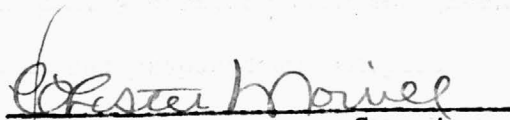
"The other members of the Board join with me in expressing the hope that you will be willing to continue to make available to the Board your advice and assistance in connection with the construction of the Board's new building and the landscaping of the site. Your intimate knowledge of the design and particularly of the spirit of the architectural period to which various studies upon which the Architect is working will be related, as well as the likelihood that new problems will arise during the construction of the building, makes us feel that it is especially desirable that the Board have the benefit of your personal judgment and recommendations. We hope that you will find it agreeable to render this service."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


 Chairman.


 Secretary.