

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 9, 1936, at 11:45 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change today by the respective banks of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. C. A. Maley, Assistant Cashier, The American National Bank of St. Paul, St. Paul, Minnesota, reading as follows:

"This refers to your letter dated February 17, 1936, in which you present the question whether it is permissible under the provisions of Regulations D and Q for a member bank to issue a time certificate of deposit which is payable 3, 6, 9, or 12 months after its date, the rate of interest thereon not to exceed the maximum rate prescribed in Regulation Q for the shortest period mentioned, namely, 3 months.

"In the opinion of the Board it is permissible for a member bank to issue such a certificate, provided it complies with the other requirements for a time certificate of deposit stated in section 1(c) of Regulations D and Q. Such a certificate would be payable at the expiration of 3 months from the date of its issuance or, if not paid at that

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"time, upon the expiration of 6 months from the date of its issuance or, if not paid at that time, at the expiration of any of the other periods stated in the certificate. As indicated in your letter, the certificate might also be payable before maturity under the circumstances and subject to the conditions stated in section 4(d) of Regulation Q.

"If you have any further questions regarding this matter or any similar matter, it is believed that you may find it more convenient to communicate with the Federal Reserve Bank of Minneapolis which will be glad to answer your inquiries."

Approved unanimously.

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

"In its letter of February 11, 1936, the Board requested you to advise it whether the relationships of Mr. Sydney M. Shoenberg now conform to the requirements of section 32 of the Banking Act of 1933, and in your letter of February 25, 1936, you state that in your opinion his relationships now conform to such requirements.

"As the basis for this conclusion you state that you have been advised that Mr. Shoenberg, who is a director of the First National Bank in St. Louis, St. Louis, Missouri, and who deals in securities under the name of Sydney M. Shoenberg & Company, is not a distributor of securities other than to his own family, and that 'this company is not in any sense of the word a dealer in securities, merely purchasing through brokers for the Investment Account of the members of his immediate family and any investment corporations which they may own outright.'

"You further state that you have been advised that the entire capital stock of the Globe Investment Company and the Shoenberg Trust Estate, of which Mr. Shoenberg is president and director, is owned by him and the members of his immediate family, that the companies are not engaged in the business referred to in section 32, and that the companies merely carry investments for him and the members of his immediate family.

"In the circumstances, the Board sees no reason to differ with the conclusion that you have reached, and has closed its files in connection with this matter."

Approved unanimously.

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

"In his letter of January 27, 1936, Mr. Young states that Mr. Harry A. Wheeler has been serving as chairman of the board of Mercantile Trust & Savings Bank and as director of The First National Bank of Chicago, both of Chicago, Illinois, but points out that the permit issued to Mr. Wheeler in 1932 authorized him to serve only as director of the two banks. He recommends that, if possible, the permit be extended to cover Mr. Wheeler's service as chairman of the board.

"However, as you know, the Banking Act of 1935 amended the Clayton Act so as to take away the power of the Board to issue permits, and the right of Mr. Wheeler to serve the two banks must now be determined solely by reference to the prohibitions and exceptions contained in section 8 of the Clayton Act and the Board's Regulation L.

"In view of the fact that the two banks are located in the same city and appear to be engaged in some of the same classes of business, Mr. Wheeler's relationships would now be prohibited unless they come within the exception contained in section 8 of the Clayton Act, and in section 2(c) of Regulation L, which authorizes an officer, director, or employee who was 'lawfully serving' on August 23, 1935, the date of the enactment of the Banking Act of 1935, to continue such service until February 1, 1939, irrespective of the prohibitions contained in section 8 as amended.

"The question whether Mr. Wheeler was lawfully serving on August 23, 1935, depends upon whether his services were covered by the permit previously issued to him. In view of the fact that his permit only authorized him to serve as director of the two banks, it appears that his service as officer, namely, chairman of the board, of Mercantile Trust & Savings Bank was not covered by his permit and therefore does not come within the exception referred to above. Accordingly, it appears that he may not lawfully serve as chairman of the board of the Mercantile Trust & Savings Bank while serving as a director of The First National Bank of Chicago, and it will be appreciated if you will advise the Board of the steps which he takes to bring his relationships into conformity with the requirements of the statute."

Approved unanimously.

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Thereupon the meeting adjourned.

Orestes Morice

Secretary.

Approved:

M. Stouder

Chairman.