

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 11, 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
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:

Letter to Mr. Martin, President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to Mr. Attebery's letter of March 3, 1936, requesting approval of an extension for a period of six months from March 28, 1936, of the temporary assignment of Mr. A. K. Summers to the position of Clerk and Recorder, Custody Department, Louisville Branch.

"In view of the circumstances the Board approves the extension of the temporary assignment of Mr. Summers to the above mentioned position, without reduction in salary, for a further period of six months, beginning March 28, 1936."

Approved unanimously.

Letter to The Chase Bank, New York, New York, prepared for the signature of the Board's Fiscal Agent, and reading as follows:

"You are advised that the cost of the examination of your Bank, made by examiners of the Board of Governors of the Federal Reserve System as of the close of business November 12, 1935, was \$156.80.

"You are requested to deposit this amount in the Federal Reserve Bank of New York, with instructions to that bank to credit it to the Federal Reserve Bank of Richmond

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"for the account of the Board of Governors of the Federal Reserve System."

Approved unanimously, together with a letter, to be signed by the Fiscal Agent, to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"The Board is today advising the Chase Bank that the cost of the examination of the Bank, made by examiners of the Board as of the close of business November 12, 1935, was \$156.80, and is requesting that the bank deposit this amount in the Federal Reserve Bank of New York, with instructions to you to credit it to the Federal Reserve Bank of Richmond for the account of the Board of Governors of the Federal Reserve System.

"You are accordingly requested, upon receipt of this amount from the Chase Bank, to credit the Federal Reserve Bank of Richmond in your daily statement of credits through the Inter-District Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit."

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

"This refers to your letter of February 25, 1936, relating to the status of Bank of San Rafael, San Rafael, California, and William P. Murray, E. B. McNear, and A. C. Latno, As Trustees Under An Agreement Dated February 24, 1925, Or Their Respective Successors In Office, as holding company affiliates under the provisions of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935.

"The Board has determined that Bank of San Rafael is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, that bank is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. No determination has been made with respect to William P. Murray, E. B. McNear, and A. C. Latno, As Trustees Under An Agreement Dated February 24, 1925, Or Their Respective

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"Successors In Office, since apparently such trustees do not constitute a 'corporation, business trust, association, or other similar organization' such as may be a holding company affiliate.

"Inclosed herewith is a letter to Bank of San Rafael advising it concerning the Board's action in this matter. Please transmit the letter to that bank. A copy of the letter is also inclosed for your files. As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection it is requested that you advise the Board if at any time you believe that this matter should again be considered by it."

Approved unanimously, together with a letter to the Bank of San Rafael, San Rafael, California, reading as follows:

"This refers to your bank's request that the Board determine whether it and William P. Murray, E. B. McNear, and A. C. Latno, As Trustees Under An Agreement Dated February 24, 1925, Or Their Respective Successors In Office, are engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

"The Board understands that your bank is engaged in the savings bank business; that all of the stock of First National Bank in San Rafael, San Rafael, California, except directors qualifying shares, is held by certain trustees for the benefit of the shareholders of your bank; and that your bank does not own or control any stock of, or manage or control, any bank other than First National Bank in San Rafael.

"In view of the above facts, the Board has determined that your bank is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, your bank is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your bank acquires control of any bank other than First National Bank in San Rafael, or the facts should at any time otherwise differ from those stated herein to an extent which would indicate that your bank might be engaged as a business in holding the stock of, or managing or controlling banks, this matter should again be submitted to the Board for its

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"determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts.

"The Board understands that William P. Murray, E. B. McNear, and A. C. Latno, As Trustees Under An Agreement Dated February 24, 1925, Or Their Respective Successors In Office, perform no functions other than to hold the stock of First National Bank in San Rafael for the benefit of the shareholders of your bank, to vote such stock, and to receive and distribute dividends paid thereon. It does not appear that such trustees constitute a 'corporation, business trust, association, or other similar organization' such as may be a holding company affiliate and, accordingly, it does not appear necessary to make a determination with respect to them.

"In view of the fact that your bank is no longer a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act, the general voting permit heretofore issued, entitling your bank or the above-mentioned trustees to vote the stock of First National Bank in San Rafael, is void and of no effect. If your bank is later determined by the Board to be a holding company affiliate subject to the provisions of law relating to voting permits, it will be necessary for your bank to obtain a new voting permit before the stock which it then owns or controls of any subsidiary member bank can lawfully be voted."

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

"This refers to your letter of January 28, 1936, replying to the Board's letter of January 21, 1936, in which it was suggested that perhaps United States National Corporation, Portland, Oregon, should be advised concerning the recent amendment of the definition of the term 'holding company affiliate' and the procedure to be followed if that corporation desired the Board to determine that it is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935.

"It is noted that you had previously contacted United States National Corporation and that, in a letter of September 26, 1935, a copy of which you inclosed, that corporation advised you it was 'still engaged directly in the business of holding all of the stock of (except qualifying shares of directors, for which it has written options to purchase), the

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"supervising, the management of, and controlling the Clark County National Bank of Vancouver' and that its only other business was 'liquidating the assets formerly invested in the capital, surplus and undivided profits of banks which have become branches of The United States National Bank of Portland.'

"While it is not definitely stated, it appears that United States National Corporation does not own or control a substantial portion, if any, of the stock of, or manage or control, any going bank other than Clark County National Bank of Vancouver and, as you state, the Board has made the above-mentioned determination with respect to other organizations in quite similar circumstances. Accordingly, you suggest that the Board make such a determination with respect to United States National Corporation although that corporation did not request it.

"While the Board feels that generally, in connection with the follow-up of cases in which general voting permits have been granted, it is desirable to eliminate those in which determinations would be made if they were requested, it does not feel that it should make a determination in such a case in the absence of a request from the holding company affiliate. In this connection, it should be noted that, upon such a determination, a voting permit previously granted to the organization involved becomes void and of no effect, and that the Board reserves the right to make a further determination which might make a new voting permit necessary. In the circumstances, it is suggested that you again contact United States National Corporation and ascertain definitely whether it desires such a determination by the Board.

"A review of the file in this matter indicates that, although the question apparently has not been previously raised, The United States National Bank of Portland, Portland, Oregon, may also be a holding company affiliate of Clark County National Bank of Vancouver through control over United States National Corporation. If such is the case, The United States National Bank of Portland presumably will wish to request the Board to make the above-mentioned determination with respect to it. Please bring this matter to the attention of that bank."

Approved unanimously.

Memorandum dated March 10, 1936, from Mr. Wyatt, General Counsel,
reading as follows:

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"There are respectfully submitted herewith proposed letters to the Attorney General and the Securities Exchange Commission, reporting an apparent violation of the provisions of section 7(c) of the Securities Exchange Act of 1934 and section 5(a) of the Board's Regulation T, by the firm of Manheim, Dibbern & Company, which was recently suspended from the San Francisco Stock Exchange because of insolvency, and also a proposed telegram to the Assistant Federal Reserve Agent instructing him to report the matter to the local United States Attorney.

"The apparent violation consisted in extending credit on securities not registered on a national securities exchange.

"I am bringing this matter to the Board's attention because it appears that an attempt is being made to reorganize the firm of Manheim, Dibbern & Company, and it is contemplated that such reorganization will be effective on March 10, and the institution of criminal proceedings against that company may interfere with its reorganization.

"However, the enforcement of criminal laws is a matter exclusively within the jurisdiction of the Department of Justice, and it is for that department rather than the Board, to determine whether or not criminal proceedings should be instituted. It is according to the Board's usual practice to report to the Attorney General for such action as he deems advisable, and to have the local Federal Reserve agents report to the local United States Attorneys, all apparent violations of the criminal provisions of the Federal banking laws which come to the Board's attention. Inasmuch as wilful violations of the provisions of the Board's Regulation T and of the Securities Exchange Act are made crimes by the provisions of section 32 of the Securities Exchange Act, it would seem appropriate to follow its usual practice in cases such as this.

"It would also seem appropriate to report the matter to the Securities Exchange Commission inasmuch as that Commission is primarily concerned with the enforcement of the Securities Exchange Act and may desire to investigate the insolvency of the firm of Manheim, Dibbern & Company."

The letters and telegram attached to the memorandum were approved unanimously.

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

"Referring Board's letter B-1143 of March 7, purpose of first full paragraph on page three was to call attention of State bank members to the fact that duplicate publication of condition reports is not necessary where State and Board's

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"forms are the same. One Federal Reserve bank has advised us that it is now negotiating with State banking department with object of getting department to adopt face side of Board's Form 105 and Federal Reserve bank feels that it would be inadvisable to advise State bank members of Board's decisions pertaining to single publication of reports to State banking departments and to Federal Reserve banks pending the outcome of such negotiations. Board will have no objection to your omitting reference to single publication of condition reports in letter sending out forms to banks in any State if you think it desirable to do so."

Approved unanimously.

Memorandum dated March 7, 1936, from Mr. Smead, Chief of the Division of Bank Operations, stating that replies had been received from all of the Federal reserve banks to the Board's letter of February 11, 1936 (X-9487), with regard to the expenses of the Federal Advisory Council, and recommending that, in accordance with action taken by the boards of directors of the respective banks, each bank be authorized to pay not to exceed \$350 toward the expenses of the office of the Secretary of the Federal Advisory Council during 1936 (the payment of that amount having been requested by the Secretary of the Council), and to pay fees and allowances to the member of the Federal Advisory Council representing its district during 1936 not in excess of the following:

	<u>For each meeting attended</u>
Boston	\$200
Philadelphia	100
Kansas City	250
Dallas	300
San Francisco	750
St. Louis	\$1,000 a year

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New York
 Cleveland
 Richmond
 Atlanta
 Chicago
 Minneapolis

\$20 for each meeting attended plus actual traveling expenses or a reasonable allowance to cover such expenses, and \$10 per diem during the period the member is absent from home attending meetings of the Council.

The memorandum also stated that in view of the fact that there was ordinarily no change from year to year in the amounts recommended by each Federal reserve bank to be paid for these purposes, the Board might wish to give consideration to advising the Federal reserve banks that they may continue to pay, until further notice, amounts not in excess of those approved for the calendar year 1936. Mr. Broderick had noted on the memorandum a recommendation that the allowances set forth in the memorandum be approved for the year 1936, and for each year thereafter until further notice from the Board.

Mr. Broderick's recommendation was approved unanimously, and the Secretary was authorized to advise the Presidents of the various Federal reserve banks accordingly.

Letter to Mr. W. G. Distler, Vice President, George A. Fuller Co., Washington, D. C., reading as follows:

"Reference is made to your letter of February 24 in which you submitted for the consideration of the Board of Governors the names of certain proposed sub-contractors for work on the new building of the Board of Governors.

"I am authorized by the Board of Governors to advise you in accordance with Article 31 of the construction contract with your company that for the purposes stated in your letter the proposed sub-contractors listed below are not objectionable to the Board:

Edward W. Minte Co., Washington, D.C. - Painting

Western Waterproofing Co., Philadelphia, Pa. -

Waterproof Cement Coat.

P. B. Polhemus Co., New York, N.Y. - Kitchen equipment."

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Approved unanimously, the three firms referred to having been approved by the Board's architect, the Board's superintendent of construction, and by Mr. Miller.

Thereupon the meeting adjourned.

C. Lester Morice

Secretary.

Approved:

W. S. Miller

Chairman.