

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 10, 1936, at 10:30 a. m.

PRESENT: Mr. Broderick, Chairman pro tem
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:

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, stating that the Board approves the establishment without change by the New York bank on April 9, 1936, and by the Atlanta and St. Louis banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 6, 1936, from Mr. Smead, Chief of the Division of Bank Operations, submitting letters dated March 10 and 26 from Mr. Strater, Vice President of the Federal Reserve Bank of Cleveland, which requested approval of changes in the personnel classification plan of the bank to provide for the creation of eight new positions in the Work Relief Check Department, and of the position of "Supervisor" in the Works Progress Administration Department. The

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memorandum stated that consideration had been given to the necessity of amending the bank's personnel classification plan to provide for the position of "Supervisor" in the Works Progress Administration Department; that since the work connected with the analysis and survey of closed banks was of a temporary nature, it was assumed that the bank would assign persons already in its employ to supervise such work; and that Mr. Strater had advised in his letter of March 26 that since the position was of a temporary nature it was not felt necessary to amend the personnel classification plan to provide for such position. The memorandum also stated that the proposed changes had been reviewed, and, in the light of Mr. Strater's letter of March 26, recommended that they be approved with the exception of the position of "Supervisor" in the Works Progress Administration Department.

Approved unanimously.

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

"Reference is made to your letter of March 30 inclosing a copy of a letter from Mr. D. E. Hersee, Vice President of the State Street Trust Company, Boston, Massachusetts, with regard to Item 29 of the condition report (Form 105), 'Dividends declared but not yet payable, and amounts set aside for dividends not declared and for accrued interest on capital notes and debentures'.

"It appears that the subject bank has no preferred stock or capital notes and debentures outstanding, and that the figure reported against the item in question represents an amount set aside for undeclared dividends on common stock. The bank raises the question whether the form of condition report could be amended so as to divide the item into two parts, in order to distinguish between amounts set aside for dividends on common stock and amounts set aside for dividends

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"or interest on capital obligations sold to the Reconstruction Finance Corporation. The bank further inquires whether, if such a division is not feasible, it can be given permission to cross out the part of the caption that does not apply.

"As you know, in order to insure uniformity in reporting, the instructions appearing at the top of the condition report forms furnished to both national and State bank members provide that 'Printed items on this blank must not be scratched or amended in any manner'. While an appropriate modification of a given caption might not be objectionable in a particular case, if permission were granted to do this in one case it would doubtless give rise to similar requests in other and perhaps less meritorious cases, with the result that reports published by banks would get to be less and less uniform. For this reason, it is believed that no change should be made in any of the printed captions appearing in the form of condition report. However, the suggestion that the form of report be modified so as to divide the item in question into two parts will be considered when the revision of the form of condition report is taken up. In the meantime, if the bank wishes to do so the Board will have no objection to its indicating in parentheses following the caption of Item 29 that the amount shown was set aside for dividends on common stock."

Approved unanimously.

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

"This refers to your telegram dated April 7, 1936, requesting a specific ruling by the Board upon the question whether a deposit of a labor union may be classified by a member bank as a savings deposit under the provisions of section 1(e) of Regulation Q.

"As you know, this section provides that a deposit of a corporation, association, or other organization may not be classified as a savings deposit unless the organization is not operated for profit and, in addition, is operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes. Without regard to the question whether or not labor unions are operated for profit, it is the view of the Board that they may not properly be considered as organizations operated primarily for the above purposes within the meaning of section 1(e) of Regulation Q.

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"Accordingly, deposits of labor unions may not be classified by member banks as savings deposits."

Approved unanimously.

Letter to Mr. J. M. Landis, Chairman, Securities and Exchange Commission, reading as follows:

"Reference is made to the tentative draft of rules under section 17(c) of the Public Utility Holding Company Act of 1935 which you sent to Chairman Eccles with your letter of March 24, 1936, for the suggestions of the Board of Governors of the Federal Reserve System. The rules permit officers, directors, and certain other persons connected with banks, trust companies, and investment bankers to be, in certain circumstances, officers and directors of registered holding companies and subsidiaries thereof.

"The Board has considered the tentative draft of rules, and believes that, with one possible exception, they do not affect any matter over which the Board has supervision pertaining to the Federal Reserve System in such a way as to require any comment by the Board. It would seem that the exemption of Federal Reserve banks from the provisions of section 17(c) of the Public Utility Holding Company Act by your Commission in the exercise of the discretion vested in it by the provisions of the law would not adversely affect the public interest or the interest of investors or consumers, and such an exemption would afford somewhat more latitude in the selection of directors of Federal Reserve banks. Accordingly, it is suggested that you give consideration to the question whether you may properly exempt Federal Reserve banks from the provisions of section 17(c) by appropriate provisions in your proposed rules. This might be accomplished by changing the phrase 'organized under the laws of the United States' in the definition of the term 'bank' in Rule 17C-1(1) to read, 'organized under the National Bank Act'. In this connection your attention is invited to the fact that, when section 8 of the Clayton Antitrust Act relating to interlocking directorates between banks was amended by the Banking Act of 1935, Congress used the phrase 'organized under the National Bank Act' as the means of exempting from the provisions of that section Federal Reserve banks, Joint Stock Land banks, Federal Land banks, Federal Intermediate Credit banks, Federal Home Loan banks, and certain other institutions organized under the laws of the United States which did not come within the intent or purposes of the law.

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"Members of the Board's staff have made certain comments relating to minor matters of detail, and there is inclosed for your information a memorandum of those comments.

"The Board appreciates your courtesy in giving it an opportunity to examine the tentative draft of the rules."

Approved unanimously.

Letter to Mr. William H. McReynolds, Administrative Assistant to the Secretary of the Treasury, reading as follows:

"This refers to your letter of April 4, 1936, which was received during the absence of Chairman Eccles. You state that the Treasury Department has been asked by the Chairman of the Senate Committee on Banking and Currency to consider and report on S. 4357 and that it is your understanding that the Board also has been asked for a report on this bill; and you request that the Board send to the Secretary, for his information in replying to the Committee, a copy of any report which the Board is making with respect to the proposed legislation.

"The Board has received from the Acting Clerk of the Senate Committee on Banking and Currency a routine form of request for a report on this bill; but, inasmuch as the bill does not affect directly the Board of Governors of the Federal Reserve System, the Federal Reserve banks, or any matter under the Board's jurisdiction, the Board does not expect to make a report thereon."

Approved unanimously.

In connection with the above, reference was made to a memorandum dated April 9, 1936, from Mr. Wyatt transmitting the suggestion of Mr. Ransom that, in accordance with the procedure agreed to at the meeting of the Board on February 27, 1935, no reply be made to the routine request received from the Acting Clerk of the Senate Committee on Banking and Currency for a report with regard to S-3727, a bill making unclaimed deposits in national banks subject to the escheat laws of the respective States in which such banks are located.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Brown
Secretary.

Approved:

J. B. Groden
Chairman pro tem.