

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 25, 1936, at 11:45 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee

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:

Memorandum dated April 21, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Norma Finch Wills as a stenographer in that Division, with salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having satisfactorily passed the usual physical examination. The memorandum requested that Mrs. Wills be allowed to take the physical examination before resigning from her present position.

Approved unanimously.

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

"Your letter April 23. Board approves temporary appointments of I. F. Betts and E. P. Neilan as examiners in Federal Reserve Agent's department your bank."

Approved unanimously.

Letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit

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Insurance Corporation, reading as follows:

"Reference is made to your letter of April 13, 1936, outlining a plan whereby the 'Columbus Trust Company', Newark, N. J., a member bank, will assume the deposit liabilities and acquire certain assets of the Central Bank and Trust Company, Newark, N. J., an insured nonmember bank, and establish a branch at the present location of the nonmember bank. It is understood that in order to facilitate the consummation of the proposed plan, the Federal Deposit Insurance Corporation will loan the Central Bank and Trust Company approximately \$75,000 upon the assets which are not to be taken over by the member bank. You have requested advice as to whether the proposed transaction, so far as it concerns the member bank, has the approval of the Board.

"The establishment of the proposed branch by the Columbus Trust Company within the city limits of Newark does not require the Board's approval, and since the proposed acquisition of assets and assumption of deposits of the Central Bank and Trust Company would not appear to constitute any material change in the general character of the business or scope of functions exercised by the member bank, no objection will be interposed to the transaction. However, the plan as submitted provides that the \$320,000 assets to be taken over as offset to the corresponding amount of liabilities to be assumed include banking house at \$55,000 and \$37,000 of other real estate. The Board does not look with favor upon the acquisition of other real estate in such transactions, and it is suggested that, if possible, the plan be modified so as to substitute cash or other unquestionably acceptable assets in lieu of the other real estate."

Approved unanimously.

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

"This refers to your letter dated April 9, 1936, regarding the maximum rate of interest payable by The First National Bank of Gettysburg, Gettysburg, Pennsylvania, on a time certificate of deposit issued to Mr. Luther A. Harr under date of April 4, 1936.

"This certificate provides that the principal amount thereof is payable to the order of the depositor upon presentation and surrender of the certificate after 6 months' written notice of intention to withdraw it, together with interest

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"thereon, at the rate of $2\frac{1}{2}$ per cent per annum. The certificate also contains the following provision: 'This certificate may be called for payment by the bank at any time by giving thirty days' notice thereof to the depositor - - - after the expiration of which thirty days' notice all interest shall cease.'

"Section (3) of the supplement to Regulation Q provides that no member bank shall pay interest accruing after January 1, 1936, at a rate in excess of 1 per cent per annum, compounded quarterly, on a time deposit 'having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days'. It is the view of the Board that a provision authorizing the bank to call a time certificate of deposit for payment at any time by giving 30 days' written notice thereof to the depositor would cause the certificate to be 'payable upon written notice of less than 90 days' within the meaning of section (3) of the supplement to Regulation Q and, accordingly, the maximum rate of interest payable thereon would be 1 per cent per annum. In other words, when a certificate provides that it is payable upon a written notice by the depositor and also provides that the bank may call the certificate by giving a written notice to the depositor, the shorter period of notice controls in determining the maximum rate of interest payable by a member bank on the certificate.

"Your attention is invited to the fact that the certificate under consideration does not require that the 30 days' notice to be given by the bank to the depositor shall be in writing and, therefore, does not comply with the definition of a time certificate of deposit in section 1(c) of Regulation Q, which requires that written notice of not less than 30 days shall be given before payment."

Approved unanimously.

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

"Reference is made to your letter of April 9 in regard to an inquiry which you have received as to whether Section 3(e) of Regulation 'U' applies to loans made prior to May 1, 1936.

"Section 3(e) applies to a transfer made on or after May 1, 1936, of a loan in existence at the time of such transfer regardless of when such loan was made. In other

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"words, the loan transferred might be one which had been made prior to May 1 as well as a loan made on or after that date."

Approved unanimously.

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

"This refers to your letter dated March 24, 1936, with which was inclosed a copy of a letter from Mr. George A. Peachman, Auditor of the California Bank, Los Angeles, California, a State member bank, presenting certain questions concerning the interpretation of the regulations governing the purchase of investment securities, issued by the Comptroller of the Currency under the provisions of section 5136 of the Revised Statutes.

"With regard to question numbered 1, it is understood that the regulations of the Comptroller became effective on February 15, 1936. However, the Board will not object to the holding by a State member bank of a security which was, except for the provisions of such regulations, lawfully acquired prior to the date such bank received notice of the regulations.

"Question numbered 2 and the second and third questions under the heading 'Additional Questions' have been submitted to the Comptroller of the Currency for an expression of his views thereon. As soon as a reply is received from the Comptroller, these questions will be answered.

"The first question under the heading 'Additional Questions' is not definitely answered because the Board has not been advised of the 'present method' used by the California Bank in amortizing bond premiums. However, your attention is invited to the fact that section II(4)(b) of the regulations provides that the bank may 'set up a reserve account in order to amortize the premium, said account to be credited periodically with an amount not less than the amount required for amortization under (a) above.'

"While the practices covered by questions (a), (b), (d), and (f) on page 2 of the letter from the State member bank are not fully described, it appears, on the basis of the information presented, that a State member bank is not prohibited from engaging in such practices by the provisions of section 5136 or the 'Regulations' of the Comptroller issued thereunder. These questions, as well as question numbered 3 on page 2 of such letter, appear to relate to the provisions of the 'Interpretative Rulings With Respect To Section

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"'5136, U.S.R.S', which were issued to all national banks by the Comptroller under date of February 15, 1936. Although the limitations and conditions of section 5136, including the limitations and conditions contained in the Comptroller's regulations issued pursuant to such section, are made applicable to State member banks by the provisions of section 9 of the Federal Reserve Act, it will be observed that the 'Interpretative Rulings With Respect To Section 5136, U.S.R.S', dated February 15, 1936, are addressed only to national banks, and it is understood that they were not intended to apply to State member banks. Accordingly, it appears to be unnecessary to answer the questions relating to such 'Interpretative Rulings.'"

Approved unanimously.

Memorandum dated April 18, 1936, from Mr. Vest, Assistant General Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin, statements in the form attached to the memorandum with respect to the Board's recent rulings on the following subjects:

Payment of Interest after Maturity on Time Certificates of Deposit Renewed Within Ten Days After Maturity.

Applicability of Exception to Section 23A of Federal Reserve Act Relating to Indebtedness of Affiliate on Assets Acquired From Member Bank.

Lending of Trust Funds by a Bank Included Within the Provisions of Section 22(g) of the Federal Reserve Act.

Renewal of Loan to Person Who Was Not Executive Officer at Time of Making of Loan.

Approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to Mr. Sailer's letter of April 17, 1936,

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"inclosing a copy of a letter from the National Industrial Conference Board, Inc., requesting to be advised of the thrift activities carried on for your employees.

"The Board has no objection to your furnishing the information shown in the copy of your proposed reply which you sent for our files."

Approved unanimously.

Letter to Mr. Strater, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In your letter of April 4 you state that the Board of Directors of the Federal Reserve Bank of Cleveland has given authority to raze the old Pittsburgh building and request authorization from the Board of Governors to charge off the book value of the building.

"In view of the facts set forth in your letter the Board authorizes the bank to charge off the book value of the building, \$202,153.84, less any salvage resulting from the razing of the building."

Approved unanimously.

Memorandum dated April 22, 1936, from Mr. Morrill with regard to the possibility of having the Federal Reserve Bulletin printed by a commercial printer rather than by the Government Printing Office. The memorandum stated that invitations for bids for printing, binding, and mailing the Bulletin for the remaining months of 1936 were sent to the three largest private printing establishments in Washington; that the two low bids were received from Judd and Detweiler, Inc., and National Capital Press, Inc.; and that the low bid depended upon the number of composition changes necessary in any issue of the Bulletin and on the quantity of each type of printed matter, facts which could not be ascertained in advance. The memorandum also stated that it was the

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opinion of Mr. Goldenweiser, Director of the Division of Research and Statistics, that, on the basis of past experience, composition changes would probably be of such extent that the total cost of having the Bulletin printed by Judd and Detweiler, Inc., would be slightly less than if it were printed by National Capital Press, Inc.; that he was also of the opinion that the quality of work done by Judd and Detweiler, Inc., for the Board had been somewhat higher than that done by National Capital Press, Inc.; and that on this basis he had recommended that the contract for the printing, binding, and mailing of the Bulletin for the remainder of the year be awarded to Judd and Detweiler, Inc. The memorandum further stated that it was estimated that a saving of approximately \$8,700 a year could be effected by having the Bulletin printed by one of the private concerns referred to above, and that inasmuch as the Board can purchase paper at substantially lower prices than the printers, it was proposed that the Board furnish the paper for printing the Bulletin. The memorandum recommended that, in order to make a final determination as to the wisdom of having the Bulletin printed by a commercial printer as a permanent policy, a contract for printing, binding, and mailing the Federal Reserve Bulletin for the remaining months of 1936 be executed with Judd & Detweiler, Inc., on the basis of its bid dated March 23, 1936, with the understanding that the Board would furnish the paper stock and the franked addressed wrappers for mailing.

Approved unanimously.

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Memorandum dated April 21, 1936, from Mr. Noell, Assistant Secretary, recommending, for the reasons stated and on the conditions set forth in the memorandum, that the Board enter into a contract with Underwood Elliott Fisher Company for servicing, for the balance of the current year, of Underwood typewriters now owned by the Board or purchased during the life of the contract, on the basis of four service calls each year at a cost of \$6.375 for each machine over one year old, or a total of approximately \$365.00 for the remainder of the current year, and that the Underwood Elliott Fisher Company be authorized to overhaul any of the Board's Underwood typewriters needing such service at the present time at a 25 percent discount in the regular rates. The memorandum stated that the Royal Typewriter Company and L. C. Smith and Corona Typewriters offer a service plan identical with that of the Underwood Elliott Fisher Company in connection with typewriters manufactured by them, and that if, after trial, the service offered by Underwood Elliott Fisher Company proved satisfactory, it would be recommended that the Board enter into service agreements covering the other makes of typewriters which it owns.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.