

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 4, 1936, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
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:

Telegram to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated May 4, 1936, from Mr. Morrill, stating that information had been received from Mr. Kramer, Superintendent of Construction for the Board's new building, that it would be necessary to employ an inspector of pile driving and reinforced concrete work for a short period of time to substitute for Mr. Robert N. Linke who suffered an injury and was in the hospital. The memorandum submitted the application of Mr. John B. Kuhn and recommended that he be appointed as inspector of pile driving and reinforced concrete work, with salary at the rate of \$2,100 per annum, effective as of the date upon which he enters upon the performance of his duties, for the period during which

5/4/36

-2-

Mr. Linke is incapacitated.

Approved unanimously, with the understanding that Mr. Kuhn would be carried on the payroll as a temporary employee in connection with the construction of the Board's building and that, therefore, it would not be necessary for him to submit to a physical examination or become a member of the Retirement System of the Federal Reserve Banks.

Letter to the board of directors of "The State Bank of Coloma", Coloma, Michigan, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's 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:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Such bank shall establish and thereafter 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 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."

Approved unanimously, together with a letter to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The State Bank of Coloma', Coloma, 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

5/4/36

-3-

"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 for the State of Michigan for his information.

"In accordance with an understanding with you, the special condition of membership numbered 1, as recommended by the Reserve Bank Committee, requiring the release of the equity of the trustees for the waiving depositors in the bank building and furniture and fixtures and the approval of the Board of Governors of any resulting increase in the carrying value of such assets by the bank has not been prescribed. It is assumed, however, that any adjustment in the carrying values of the banking premises and furniture and fixtures on the books of the bank by reason of adjustment in such accounts under the agreement with the trustees for the waiving depositors will be supported by appraisals and will be in amounts satisfactory to the Reserve Bank."

Telegram to Mr. Evans, Assistant Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Retel May 2 regarding Forney State Bank of Forney, Texas. In accordance with your suggestion you are authorized to change date for hearing from June 2 as stated in the Board's letter of April 29 to June 16."

Approved unanimously.

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

"This refers to your letter of March 3, 1936, submitting an inquiry from the Industrial Trust Company, Providence, Rhode Island, and an opinion of counsel for your bank as to whether members of the boards of managers of branches of the trust company, chairmen of the boards of managers of branches of the trust company, and members of the finance committees of such branches are 'executive officers' within the meaning of that term as defined in section 1(b) of the Board's Regulation O.

"It appears from the information submitted that the members of the board of managers of a branch of the trust company are chosen by the board of directors of the trust company; that such members give no regular time to the business of the bank other than attendance at meetings of the board;

5/4/36

-4-

"that the individual member of the board has no powers in the management of the branch other than his vote as a member of the board of managers and has no compensation other than fees for attendance at meetings; and that the board of managers elects branch officers, passes on loans of limited amount, and acts as a board of directors of the branch, but with every act subject to the approval and control of the board of directors of the trust company. While it is clear that such members are not strictly directors, since they are not elected by the stockholders, it is apparent that their duties are analogous to the functions usually exercised by a board of directors of a bank and, on the basis of the facts stated above, it is the view of the Board that the members involved are not included within the definition of the term 'executive officer' as contained in the Board's Regulation O.

"The chairman of the board of managers of a branch would not be considered an 'executive officer' unless he 'participates in the management of the bank or any branch thereof' within the meaning of that phrase as used in section 1(b) of Regulation O, and the determination of this question must be based upon the facts in each case. It appears from the by-laws of the trust company that the chairman of the board of managers of a branch is appointed by the board of managers subject to the approval of the board of directors of the trust company, and that such chairman is only authorized to preside at meetings of the board at which he may be present. It is stated in the letter from the trust company that the only duties of a chairman are to preside at meetings of the board of managers. It is also understood that there are two chairmen of boards of managers of branches of the trust company who are paid a small salary in lieu of a fee for attendance at meetings. These salaries are reported as being \$250.00 and \$528.00 per annum. Although the payment of a salary may in some cases indicate that the recipient has duties to perform in an individual capacity which would bring him within the classification of an 'executive officer', it is the Board's understanding that the chairmen involved perform no other duties than to preside at meetings of the boards of managers. Therefore, on this basis, it is the opinion of the Board that such chairmen are not included within the meaning of the term 'executive officer' as contained in the Board's Regulation O.

"In connection with members of the finance committees of such branches, it appears that such committees are appointed by the boards of managers pursuant to the general authority of the by-laws of the trust company and that the functions of such committees are similar to the functions

5/4/36

-5-

"of the executive committee of the trust company, such as passing upon loans in a preliminary way between meetings of the boards of managers. Assuming that the members of such committees exercise no other duties in the management of the bank or branch except those of attending committee meetings and voting upon matters considered at such meetings, it is the Board's view that such members are not executive officers within the meaning of the Board's Regulation O.

"The conclusions reached above are limited to those persons whose only duties are to serve in the capacities referred to above, and who hold no other office in the trust company or any branch thereof."

Approved unanimously.

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

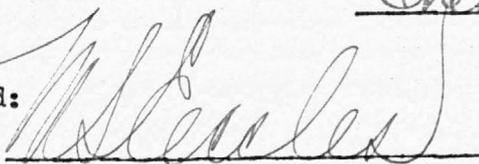
"The Federal Deposit Insurance Corporation has requested all insured member and nonmember banks to submit a report as of May 13, 1936, grouped by size of accounts and by class of depositors, in order to provide information that will serve as a basis of an estimate of insured deposits.

"The Board is in accord with the desire of the Federal Deposit Insurance Corporation to obtain the information outlined in the proposed form of report for the purpose intended. For your information and in order that you may be in a position to answer any inquiries made of you in this connection by State bank members there are attached three copies of the letter, instructions and form sent by the Federal Deposit Insurance Corporation to each insured bank."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.