

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 8, 1936, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
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:

Telegrams to Messrs. Kimball and Clark, Secretaries of the Federal Reserve Banks of New York and Atlanta, respectively, stating that the Board approves the establishment without change by the New York bank on May 7, and by the Atlanta bank today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the board of directors of "The Schirding State Bank", Petersburg, Illinois, 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 approves 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 furniture and fixtures.
- "5. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$9,395.00, as shown in the report of examination of such bank as of March 31, 1936, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, for transmission through the office of the Federal Reserve Agent at the Federal Reserve Bank of Chicago.

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Letter to the board of directors of the "Bank of Garber", Garber, Oklahoma, 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 approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$984.94 as shown in the report of examination of such bank as of January 18, 1936, made by an examiner for the Federal Reserve Bank of Kansas City."

Approved unanimously, together with a letter to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Bank of Garber', Garber, Oklahoma, 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 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 Bank Commissioner of the State of Oklahoma for his information.

"It has been noted from the report of examination of the applying bank, made as of January 18, 1936, that its articles of incorporation and the laws of the State of Oklahoma provide that the number of its directors shall be not less than 3 nor more than 21. As you know, under the provisions of section 31 of the Banking Act of 1933, as amended, a State member bank must have not less than 5 nor more than 25 directors. While the by-laws of the Bank of Garber fix the number of its directors at 6 and it appears that the bank has that number of directors at the present time, it is suggested that you call its attention to the provisions of section 31 and to the desirability of taking appropriate action to amend its articles of incorporation to provide for a minimum of at least 5 directors, in order to avoid the possibility of any violation of law in the future."

Letter to Mr. Curtiss, Federal Reserve Agent at the Federal

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Reserve Bank of Boston, reading as follows:

"This refers to your letter dated April 21, 1936, regarding the progress made in connection with the various matters mentioned in the report of examination of the Sanford Trust Company, Sanford, Maine, as of the close of business March 2, 1936.

"In your letter you quoted from a letter from the Sanford Trust Company, dated April 14, 1936, regarding the savings deposits of the Town of Sanford 'Cemetery' and the Town of Newfield 'Ethan Stone High School Fund', which the examiner had listed as savings deposits which did not conform to the definition in Regulation Q. The Sanford Trust Company raised the question whether these deposits could properly be considered as savings deposits.

"As you know, in the Board's letter of February 27, 1936 (X-9508), the opinion was expressed that deposits of municipalities and subdivisions or departments thereof may not be classified by a member bank as savings deposits. The Board also expressed the opinion that a deposit in the name of a municipality consisting of funds given to the municipality for a charitable purpose may not be classified by a member bank as a savings deposit.

"Although the Board does not have before it all of the facts relating to the two deposits mentioned above, there is nothing stated in the quoted portion of the letter from the Sanford Trust Company nor in the report of examination which would indicate that these deposits may be classified as savings deposits. Accordingly, unless there are other facts bearing upon the question of the classification of these deposits, it is assumed that you will advise the trust company that such deposits may not be classified as savings deposits."

Approved unanimously.

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

"This refers to your letter of March 17, 1936, submitting additional information with regard to the acquisition of stock of the Motor Contract Company, Savannah, Georgia, by the Trust Company of Georgia Associates, a subsidiary owned by the Trust Company of Georgia. It is noted that in the light of the additional information submitted in connection with this matter, the executive officers of your bank and the Executive Committee recommend that the Trust Company of Georgia Associates, under the circumstances of this particular case, be allowed to retain its holdings of stock of the Motor Contract Company.

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"The Board has carefully considered the information submitted and will not insist at this time that the Trust Company of Georgia require its subsidiary to dispose of the stock of the Motor Contract Company. In reaching this conclusion, it is understood that the Motor Contract Company will confine its operations to the purchase of automobile paper solely for the benefit of the Trust Company of Georgia group of banks, that it will confine its operations to the territory served by such group of banks, and that it will not enter a field other than the purchase of automobile paper. The Board, however, reserves the right at any time in the future to give further consideration to the question whether the Trust Company of Georgia should be requested to cause its subsidiary to dispose of such stock if it should appear that the holding of such stock or the activities of the Motor Contract Company are prejudicial to the best interests of the bank. Please advise the Trust Company of Georgia accordingly.

"It appears that it is contemplated that the Motor Contract Company, which is an affiliate of the member banks of the Trust Company of Georgia group, will discount paper with such member banks. In connection with such transactions, the member banks may make extensions of credit to the affiliate which are subject to the provisions of section 23A of the Federal Reserve Act. In this connection, reference is made to the Board's ruling published on page 391 of the Federal Reserve Bulletin for June 1934. It is suggested that you bring this matter to the attention of the Trust Company of Georgia."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Moriep
Secretary.

Approved:

W. S. ...
Chairman.