

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 18, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 16, 1936, were approved unanimously.

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 14, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Simon N. Whitney as a junior research assistant in the Division, with salary at the rate of \$3,800 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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

"Your letters May thirteenth, and May eleventh with inclosure. Board approves temporary designation of L. B. Armstrong as assistant examiner for the examination of trust department of State member bank named. Board concurs in

5/18/36

-2-

"opinion of you and your trust examiner that additional examiners and assistant examiners are needed in trust examination work of your bank and suggests that steps be taken to arrange for the employment of the additional men needed."

Approved unanimously.

Letter to Mr. Taylor, Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"In your letter of May 12 you advise that five employees of your bank are desirous of enrolling to attend lectures on banking subjects to be given at the University of Michigan by Mr. Robert C. Rodkey during the week of June 22, 1936, and ask the Board to approve leave of absence with full pay for one week for these employees.

"The Board is glad to approve your recommendation that leave with pay for one week be granted to the employees named in your letter for the purpose of enabling them to attend classes at the University of Michigan during the week of June 22, 1936."

Approved unanimously.

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

"This refers to the Board's letter to the Assistant Federal Reserve Agent at Chicago dated April 13, 1936, (X-9545-a) stating that no objection would be offered to the payment by a member bank of interest after maturity on a time certificate of deposit renewed within 10 days after maturity provided the renewal certificate were dated back to the date of maturity of the original certificate. Reference is also made to the Board's letter to the Assistant Federal Reserve Agent at San Francisco dated May 5, 1936, (X-9573) with reference to the necessity for dating the renewal certificate back to the date of maturity of the original certificate in such circumstances.

"After reconsidering this matter, the Board has reached the conclusion that, in cases where a member bank pays interest after maturity on a time certificate of deposit which is renewed within 10 days after maturity, it will not be necessary to date the renewal certificate back to the date

5/18/36

-3-

"of maturity of the original certificate."

Approved unanimously.

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

"This refers to your letter of February 14, 1936, which was acknowledged by the Board's letter of February 25, 1936, regarding certain questions raised by the possible application for membership of the Society for Savings in the City of Cleveland, a mutual savings bank. The question regarding the capital ratio of a mutual savings bank member of the Federal Reserve System was answered in the Board's letter of March 26, 1936.

"Your letter also presented the question whether the provisions of Regulation Q prescribing maximum rates of interest payable by member banks on time and savings deposits would be applicable to the declaration and payment of dividends by the Society for Savings if it should become a member of the Federal Reserve System.

"This question has been receiving careful study here, and has been found to be most perplexing in character. The matter is one of fundamental importance in connection with the admission of mutual savings banks to membership in the Federal Reserve System, and has not heretofore been considered by the Board. In this connection, as you may know, although mutual savings banks have been legally eligible for membership in the Federal Reserve System since the enactment of the Banking Act of 1933, no mutual savings bank has been admitted to the System or has made application for membership. In view of the importance of the question, and the difficulties attending a satisfactory solution, the Board feels that it should not undertake to express a definite view with respect to the matter until assured that some mutual savings bank desires membership if this problem can be worked out satisfactorily.

"In the circumstances, the Board will not attempt at this time to reach a definite decision with regard to the applicability of the restrictions of Regulation Q upon the payment of interest on deposits to mutual savings banks which become members of the Federal Reserve System, unless definite assurances are given by the Society for Savings in writing after consideration by its Board of Trustees, that the Society will make application for membership if this problem is solved in a satisfactory manner.

5/18/36

-4-

"It is requested, therefore, that you advise the Society for Savings of the Board's view in this matter as set forth above, stating however, that in the event that assurances of the kind stated are received by the Board, it will be glad to give further consideration to the question without delay and reach a decision as soon as possible."

Approved unanimously.

Letter to Mr. H. R. Selover, Minneapolis-St. Paul Stock Exchange, Minneapolis, Minnesota, reading as follows:

"This is in reply to your letter of May 1, 1936, addressed to the Securities and Exchange Commission and referred by the Commission to the Board.

"Regulation U does not restrict the right of a bank to extend credit for any purpose except the purchasing or carrying of 'stocks registered on a national securities exchange'. Since the Minneapolis-St. Paul Stock Exchange is not a 'national securities exchange', stocks which are listed or admitted to trading on the Minneapolis-St. Paul Stock Exchange but not on any other exchange are not 'registered on a national securities exchange' within the meaning of the Securities Exchange Act. Consequently, Regulation U does not apply to loans for the purpose of purchasing or carrying these stocks — whether such loans be secured or unsecured, and if secured, regardless of whether or not the collateral consists of or includes these stocks.

"The maximum loan value of these stocks when they are used as collateral to secure a loan by a bank 'for the purpose of purchasing or carrying any stock registered on a national securities exchange' is as prescribed by the present supplement to Regulation U — i.e., 45 percent stocks for which, in certain cases, a maximum loan value of 60 percent is prescribed. It would be within the power of the Board, however, to so amend the supplement as to give these stocks the same maximum loan value as that prescribed for 'registered' stocks, and, if the Minneapolis-St. Paul Stock Exchange desires these stocks to have this status, the Board would be willing to consider a request from the Exchange for such an amendment.

"For the purposes of Regulation T, which governs extensions of credit by members, brokers, and dealers, it

5/18/36

-5-

"appears that, pursuant to an exemption accorded by the Securities and Exchange Commission, a security admitted to either listed or unlisted trading privileges on exempted exchanges has collateral value identical with that of a security registered on a national securities exchange."

Approved unanimously.

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

"Reference is made to your letter of April 15, 1936, transmitting copies of the amendments to the articles of incorporation of The Central Trust Company, Cincinnati, Ohio, and raising the question of whether the enlarged powers contained in the amended articles of incorporation are in conflict with condition of membership numbered 5 which provides, among other things, that, except with the approval of the Federal Reserve Board, there shall be no material broadening in the functions exercised by the bank at the time of its admission to membership.

"The condition of membership refers to the exercise of powers, and the mere acquisition of broader powers without the exercise thereof does not constitute a violation of the condition of membership in question."

Approved unanimously.

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

"Consideration has been given to your letter of April 13, 1936, and inclosures, with further reference to the question whether, under the Clayton Antitrust Act, Mr. Glover S. Johns and Mr. Burton Dunn may lawfully serve at the same time as directors of the Corpus Christi National Bank and as directors of Guaranty Title & Trust Company, both of Corpus Christi, Texas.

"As stated in the Board's letter of March 6, 1936, it appears that Guaranty Title & Trust Company is organized for the purpose of abstracting and insuring titles to land, of making loans, 'but without banking privileges', and of acting as trustee, receiver, guardian, and executor in certain circumstances; that the Company is not subject to examination by the State Banking Commissioner; that it is not authorized

5/18/36

-6-

"to issue its debentures; and that it has no certificates of deposit outstanding and no deposits subject to check. While the statement of the Company as of November 30, 1935, indicates that the Company on that date had 'savings accounts' in the amount of \$401.66, it is understood that these accounts represent loans made to the Company by two of its employees in accordance with a plan for the encouragement of thrift by employees of the Company and that savings deposits are not received from the public. It is also understood that the 'trust accounts' shown in the Company's statement consist of trust funds belonging to the various trust estates administered by the Company and that the 'escrow accounts' shown in such statement represent sums deposited in escrow with the Company in connection with the regular conduct of its title insurance department.

"In view of the nature and size of these accounts and in view of the other facts referred to above, the Board believes that Guaranty Title & Trust Company should not be considered a 'bank' within the meaning of section 8 of the Clayton Anti-trust Act, and that, therefore, the prohibitions of that act are not applicable to the service of Mr. Johns and Mr. Dunn as directors of that Company and as directors of the Corpus Christi National Bank."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Howell

Secretary.

Approved:

W. Steeles
Chairman.