

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 1, 1936, at 11:45 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:

Telegrams dated May 29, 1936, to Messrs. Kimball, Strater, Young and Sargent, Secretaries of the Federal Reserve Banks of New York, Cleveland, Chicago and San Francisco, respectively, and to Mr. Yaeger, Vice President of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the New York and San Francisco banks on May 28, and by the Cleveland, Chicago and Minneapolis banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 26, 1936, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 27, 1936, were approved unanimously and the actions recorded therein were ratified unanimously.

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

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"Referring to Mr. Strater's letter of May 25, 1936, the Board approves extension of the temporary assignment of Mr. Harry H. Ostendorf, for a period of three months, to the classification 'Temporary Supervisor - Loans and Discounts' at the Cincinnati branch, at an annual salary of \$3,000, which is \$250 per annum in excess of the maximum salary provided for such position in the personnel classification plan."

Approved unanimously.

Letter dated May 29, 1936, to the board of directors of the "Fairbury State Bank", Fairbury, 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 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 \$637.50 as shown in the report of examination of such bank as of April 27, 1936, made by an examiner for the Federal Reserve Bank of Chicago."

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 'Fairbury State Bank', Fairbury, Illinois, 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 Auditor of Public

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"Accounts of the State of Illinois for his information.

"It will be noted that the Board has not prescribed the portion of membership condition numbered 2 recommended by the Reserve Bank Committee that the bank reduce the carrying value of its banking house from \$28,200 to \$20,000 within a period of 5 years and in lieu thereof has imposed condition of membership numbered 4 requiring the bank to make adequate provision for depreciation in such asset. It is suggested, however, that you point out to the bank that it will be expected, under the provisions of the condition, to effect a program of depreciation which will have as its purpose the reduction of such asset within a reasonable time to an amount which will be conservatively in keeping with the size of the bank and the value of the property."

Letter dated May 29, 1936, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"In accordance with your recommendation, the Board will interpose no objection to the purchase of assets and assumption of deposit liabilities of the Lubec Trust and Banking Company, Lubec, Maine, by the 'Bar Harbor Banking and Trust Company', Bar Harbor, Maine, as outlined in Mr. McRae's letter of May 19, 1936, and approves the application of the Bar Harbor Banking and Trust Company for permission to establish and operate a branch in Lubec, Maine, on condition that:

1. Prior to the establishment of the branch at Lubec, Maine, the Bar Harbor Banking and Trust Company increase its capital to at least \$250,000;
2. The purchase of the assets and the assumption of the deposit liabilities of the Lubec Trust and Banking Company and the establishment and operation of a branch at Lubec, Maine, by the Bar Harbor Banking and Trust Company be approved by the appropriate State authorities;
3. The Federal Deposit Insurance Corporation give its prior written consent to the assumption by the Bar Harbor Banking and Trust Company of the liability to pay the deposits of the Lubec Trust and Banking Company; and
4. That counsel for the Federal Reserve Bank of Boston be satisfied as to the legality of the transactions involved and that such transactions

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"will not affect the membership status of the Bar Harbor Banking and Trust Company.

"Please advise the Bar Harbor Banking and Trust Company accordingly and furnish the Board with copies of any agreements or contracts pertaining to the transactions, together with a copy of the approval given by the State authorities to the establishment and operation of the branch at Lubec, Maine."

Approved unanimously.

Letter to the "Springvale National Bank", Springvale, Maine, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Maine, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"The Board feels that if you are tendered any of the trusts now held by The Springvale National Bank, Springvale, Maine, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of your institution.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to "The Williamstown National Bank", Williamstown, Massachusetts, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee,

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"executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Massachusetts, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter dated May 29, 1936, to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of May 23, 1936, transmitting the request of the 'Bank of Carthage', Carthage, Missouri, in accordance with the provisions of membership condition numbered 8, for permission to increase its investment in bank premises. It is understood that the bank proposes to remodel its vault and effect alterations in bank premises at a total expenditure of approximately \$29,000 of which the bank intends to capitalize \$16,000 or \$17,000 with the balance of the expenditure chargeable to earnings during the current year.

"It has been noted that as of May 12, 1936, the bank had capital and surplus of \$210,000 as compared with deposits of \$1,509,000, that it had no fixed assets other than \$45,500 in banking house and \$6,000 in fixtures, that you consider the bank to be under capable management, in good condition and with a satisfactory record of consistent earnings, and that you do not feel that the increased investment in bank building will be unduly large or improper.

"In view of the circumstances and your recommendation the Board interposes no objection to the investment in the amount indicated, and it is requested that you advise the bank accordingly."

Approved unanimously.

Telegram dated May 29, 1936, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

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"Retel May 28, two hundred additional copies of Form 105e will be furnished you regularly for use of State banking department of Utah in order to bring about single publication of condition reports rendered by State bank members to State banking department and to your bank, respectively."

Approved unanimously.

Letter to Mr. Gidney, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of January 10, 1936, and its inclosures, relating to reports of certain affiliates of New York Trust Company and to the applicability of the following paragraph of the Board's waiver of the requirement for reports of affiliates which accompanied the Board's letter of December 21, 1935 (B-1124):

'The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases where the affiliate relationship is based solely on ownership or control of any voting shares of the affiliate by a member bank as executor, administrator, trustee, receiver, agent, depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member banks.'

"It appears that New York Trust Company owns or controls a portion of the stock of certain affiliates in its individual capacity and a portion of such stock in fiduciary capacities. Your inquiry relates specifically to the instances in which neither the shares held in the trust company's individual capacity nor the shares held in fiduciary capacities constitute a majority of the voting shares but the combined holdings amount to a majority of such shares. You assume that reports are waived in the instances in which the shares held in fiduciary capacities constitute a majority of the voting shares although some shares are held by the trust company in its individual capacity.

"It is not intended that reports shall be waived in either of such situations under the above-quoted paragraph of the Board's waiver. It is, of course, possible that other paragraphs of the Board's waiver are applicable and that the reports are waived thereunder. Please advise New York Trust Company accordingly."

Approved unanimously.

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Memorandum dated May 27, 1936, from Mr. Parry, Chief of the Division of Security Loans, referring to the statistical survey made by the New York Stock Exchange in 1934 in regard to customers' margin accounts in order to furnish the Board with certain information that would assist the Board in its study of margin accounts, and stating that it was believed that now would be an opportune time, in view of the recent increase in margin requirements and current discussion as to the effect that these changes have had on the status of margin accounts, to make another such survey. The memorandum also stated that advice had been received from Mr. D. K. Worcester, Executive Vice President of the New York Stock Exchange, that the Exchange would be interested in collecting the desired information from their members provided it was able to state that the survey was being made at the request of the Board; and that it had been suggested by the Exchange that the survey be made as of the end of March, April and May, 1936. The memorandum requested authority to inform the New York Stock Exchange that in making the survey it may state that it was being made at the request of the Board of Governors of the Federal Reserve System. The request was approved by three members of the Board on May 28, 1936.

Approved unanimously.

Letter to Mr. R. M. Hanes, Chairman, Executive Committee, State Bank Division, American Bankers Association, Winston-Salem, North Carolina, reading as follows:

"This refers further to your letter of May 15 to Mr. Ransom, with regard to earnings and expense figures of State bank members of the Federal Reserve System for the calendar year 1935, by States and by size of banks.

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"We have not yet completed the tabulation of these data for the calendar year as a whole, though certain compilations have been made for the two semi-annual periods. It is expected that the consolidation of the data for the two semi-annual periods, by States and by size of banks, using total deposits on December 31, 1935 as a measure of size, will be completed by June 10. At that time, the Board will be glad to make available to your representative the so-called total sheets for each State so that he may prepare tables giving a classification of earnings, expenses, etc., in the form indicated in the inclosure accompanying your letter, for each size group in each State. At the same time, your representative may take off figures of total deposits of State bank members on December 31, 1935, by States and by size of banks. We will be unable, however, to furnish a corresponding classification of any of the other items of assets and liabilities, since the item of total deposits is the only one that has been classified in this way.

"The data for State bank members will be made available to you with the understanding that they will be used only in combination with figures for insured nonmember banks, which it is understood you are obtaining from the Federal Deposit Insurance Corporation, and with the further understanding that, if the combined data are published, figures will not be shown separately for any size group comprising less than three banks.

"It is suggested that when your representative is ready to take off the data he communicate directly with Mr. E. L. Smead, Chief of the Board's Division of Bank Operations."

Approved unanimously.

Letter dated May 29, 1936, to Mr. J. W. Adams, Division Manager, American Telephone and Telegraph Company, Washington, D. C., reading as follows:

"Your service No. 025427 covered by the contract between the Board of Governors of the Federal Reserve System and the American Telephone & Telegraph Company calls for duplex Morse telegraph service between the Federal Reserve Bank of New York and the Board's offices in Washington daily between the hours of 8:00 a. m. and 8:00 p. m., E. S. T.

"Because of the decrease in business between New York and Washington, it is believed that our requirements can be met by a single wire instead of the present duplex wire between the

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"two points. It will be appreciated, therefore, if you will arrange to change the New York-Washington circuit from a duplex to a single wire service daily between the hours of 8:00 a. m. and 8:00 p. m., E.S.T., commencing June 1, 1936.

"It is also requested that you discontinue, as of the same date, if possible, the three-way switch installed in the New York telegraph office pursuant to the Board's letter of August 16, 1935, and that you install a single switch at the New York office which will permit connection at that point of the Chicago and Washington offices.

"It is understood from your Mr. DeBarbieri that the cost of the single wire between New York and Washington will be \$400.00 per month as compared with the rate of \$500.00 per month for the duplex wire and that the substitution at the New York office of a single switch for the three-way switch will result in a monthly saving of \$15.00, or a total annual saving of \$1,380.00.

"It will be appreciated if you will have revised appendix A sheets, covering these changes, executed by an authorized officer of your company and forwarded to the Board for signature."

Approved unanimously.

Letter dated May 29, 1936, to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to Mr. Keesee's letter of May 14, 1936, stating that Section 10 of Article IV of the By-laws of the Baltimore Branch of the Federal Reserve Bank of Richmond has recently been amended so as to change the date of the monthly meeting of the Board of Directors of the Branch from the second Wednesday of each month to the first Wednesday of each month, such change to be subject to the approval of the Board of Governors and to become effective upon such approval. Mr. Keesee stated that Section 10 of Article IV of the by-laws, as amended, would read as follows:

'Meetings: There shall be a regular meeting of the Board of Directors at 12 o'clock noon on the first Wednesday in each month, or, if said day be a holiday, on the next succeeding full business day. Special meetings of the Board may be called by the Managing Director at any time, and shall be called by him upon the written request of the Executive Committee of the Federal Reserve Bank of Richmond or of any two directors

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"of the Baltimore Branch. Notice of every meeting shall be given to every director by mailing a written notice not later than the day prior to such meeting, or by giving notice by telegraph or telephone at least two hours before the time of such meeting and in time to permit the director to attend. A majority of the Board of Directors shall constitute a quorum, but a lesser number may adjourn from time to time until a quorum is present. The Chairman shall preside at all meetings, or in his absence a member appointed by the Board of Governors of the Federal Reserve System (in order of seniority)."

"You are advised that the Board of Governors approves Section 10 of Article IV of the By-laws of the Baltimore Branch in the amended form stated above.

"It will be appreciated if you will forward to this office for the records of the Board three copies of the branch by-laws as thus amended."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. Steeles
Chairman.