

4/1/36 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 8, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee

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 Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 5, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Clayton Gehman as a junior research assistant in the Division, with salary at the rate of \$3,000 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.

Letter to the board of directors of "The Hackensack Trust Company", Hackensack, New Jersey, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H,

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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 New York:

- "7. Such bank shall not, directly or indirectly through any device whatever, exercise the power to guarantee title to real estate, to issue fidelity insurance, or to become surety for any purpose, even though it may be authorized to do so under the provisions of its charter or the laws of the State of New Jersey.
- "8. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "9. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$145,397.61 as shown in the report of examination of such bank as of April 25, 1936, made by an examiner for the Federal Reserve Bank of New York."

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

Letter to the board of directors of the "Turtle Creek Bank and Trust Company", Turtle Creek, Pennsylvania, stating that, subject to the conditions of membership numbered 1 to 6 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 Cleveland:

- "7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "8. Such bank shall not act as surety for the faithful

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"performance of duties of individuals or corporations or otherwise exercise the power to act as surety, even though it may be authorized to do so under the provisions of its charter or the laws of the Commonwealth of Pennsylvania.

- "9. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses as shown in the report of examination of such bank as of March 30, 1936, made by an examiner for the Federal Reserve Bank of Cleveland."

Approved unanimously, together with a letter to the Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Turtle Creek Bank and Trust Company', Turtle Creek, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania for his information.

"The examiner in the report of examination of the trust department as of March 30, 1936, calls attention to the fact that the bank collects a monthly fee of \$300 for its services as trustee for certain assets held for waiving depositors of the Turtle Creek Savings and Trust Company and has questioned the right of the trustee under the trust agreement to make a charge of any kind for such services although he states that the amount of the fee seems justifiable. It is suggested, therefore, that the rights of the bank in the matter be determined and that any changes which may be necessary in the bank's present practice in order to conform to the provisions of the trust agreement be effected."

Attention was called to a letter dated May 14, and received by the Board under date of May 18, 1936, from Mr. O. W. Reagin, Vice President and Cashier of the Forney State Bank, Forney, Texas. The letter read as follows:

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"In the matter of the proposed hearing to be held by your Board June 16th. 1936 in the City of Washington, relative the membership of Forney State Bank of Forney, you are respectfully advised that this bank elects to make appearance through its representative at the office of the Federal Reserve Agent, Federal Reserve Bank of Dallas and waives all rights to appear before your Board in the City of Washington."

Noted.

In connection with the above matter it was reported that a telegram had been received from the Federal Reserve Agent at Dallas, dated May 29, 1936, advising that the hearing of representatives of the Forney State Bank was commenced before him on May 25 and concluded on May 29, 1936 and that the information developed would be forwarded to the Board with the recommendation of the board of directors of the Federal reserve bank in due course.

Letter to Mr. Malcolm C. Brock, Malcolm C. Brock and Company, Buffalo, New York, reading as follows:

"This refers to your letter of May 7, 1936, making the following inquiries:

- '1. Are F. H. A. Insured Mortgages included as real estate mortgages and subject to the legal limitation of 60% of deposits as outlined in section 24 of the Federal Reserve Act?'
- '2. If a bank originating a F. H. A. Mortgage puts that mortgage into a trust account in its own bank, can the bank, legally, retain 1/2 of 1% service charge for servicing the mortgage, or must that accrue to the trust account?'

"Since section 24 of the Federal Reserve Act is applicable only to national banks and is administered by the Comptroller of the Currency, it is believed that you will find it more satisfactory to communicate directly with that office concerning your first question.

"A trust institution must account for any income which

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"it receives in connection with trust investments. It is, of course, entitled to such compensation for its services in administering a trust as is authorized by law, the trust instrument, or court orders. Accordingly, with reference to your second question, it is not proper for the bank to retain the service charge unless it is part of the authorized compensation for administering the trust.

"It is assumed that your second question does not contemplate transactions which would violate sound principles of trust administration relating to 'self-dealing' by a trustee."

Approved unanimously.

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

"Reference is made to your letter of May 26, 1936, with inclosures, requesting advice as to whether, on the basis of the facts presented therein, Mr. Edward C. Bench may, under the provisions of section 8 of the Clayton Act as amended, serve at the same time as assistant treasurer of Bank of New York and Trust Company, New York, New York, and as director of The Citizens National Bank and Trust Company of Englewood, Englewood, New Jersey.

"It is noted from your letter that Englewood, New Jersey, is not 'contiguous' to New York, New York, that in your opinion the two cities are not 'adjacent' to each other within the meaning of the Board's definition of that term since they are not located in such close proximity or so readily accessible to each other as to be in practical effect a single city, that there does not appear to be any substantial conflict of competitive interest between Bank of New York and Trust Company and The Citizens National Bank and Trust Company of Englewood and that you have no reason to believe that there is any substantial conflict of competitive interest between the banks in New York, New York, and Englewood, New Jersey.

"The Board has given consideration to the facts presented in your letter and the accompanying inclosures and sees no reason to differ from the conclusion reached by you and your counsel in this matter. Accordingly, it appears that the prohibitions of Section 8 of the Clayton Act as amended are not applicable to the services of Mr. Bench with Bank of New York and Trust Company, New York,

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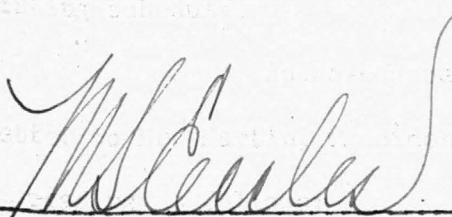
"New York and The Citizens National Bank and Trust Company
of Englewood, Englewood, New Jersey."

Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.



Chairman.

Approved: