

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 12, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick

Mr. Morrill, Secretary
Mr. Bethea, 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, Strater, and Young, Secretaries of the Federal Reserve Banks of New York, Cleveland, and Chicago, respectively, stating that the Board approves the establishment without change by the New York bank on June 11, 1936, and by the Cleveland and Chicago banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the board of directors of "The State Bank of Viroqua", Viroqua, Wisconsin, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation "H", 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, effective if and when the bank is authorized to commence business by the Commissioner of Banking for the State of Wisconsin.

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

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

"Before accepting payment for or issuing stock in the Federal Reserve Bank to The State Bank of Viroqua, you should satisfy yourself that the bank's proposed capital stock of \$50,000 and surplus of \$10,000 have been paid in and that the organization papers incident to the organization of The State Bank of Viroqua have been considered by your counsel and that he is satisfied as to their legal aspects. It is requested that a copy of the opinion of your counsel given in this connection, together with copies of the bank's organization papers, including a copy of the bank's charter, be forwarded to the Board as soon as possible.

"It is understood that The State Bank of Viroqua will not have authority to exercise trust powers and that the bank will have only the ordinary and usual powers with which State banks in Wisconsin are ordinarily vested. It will be appreciated, however, if, after the bank is actually incorporated, counsel for the Reserve Bank will either reaffirm or modify, as circumstances warrant, the tentative opinion on Form 83E given in this connection prior to the organization of the bank.

"According to the information submitted, it is contemplated that the bank will purchase a banking house and furniture and fixtures. You are requested, therefore, to advise the bank of the Board's views, which are known to your office, regarding adequate provision for depreciation in such assets should they be acquired.

"It has been noted that the management anticipates that it may obtain deposits of approximately \$1,000,000 within a year or so. The application for membership is approved, however, on the basis of \$50,000 capital and \$10,000 surplus. It is requested that, in advising the bank of the approval of membership, you call particular attention to the provisions of condition of membership numbered 2 and advise the bank that the application has been approved with the understanding that the bank's capital and surplus will be increased as warranted by the growth in deposits. It is understood that the organizers of the bank are financially able to increase

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"the bank's capital when needed, and it is suggested that you obtain definite assurances from the bank that this will be done.

"If and when the bank is admitted to membership, please include in the telegraphic advice to that effect the correct legal name of the bank in order that the Board's records may be accurate."

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

"In accordance with your recommendation Board will interpose no objection to proposed merger of 'State Street Trust Company' and 'The Union Trust Company of Boston', both of Boston, Massachusetts, as outlined in your letter of June 9, 1936, and inclosures, provided the proceedings, contracts, and agreements in connection therewith are, in the opinion of your counsel, legally effective and do not affect legal status of State Street Trust Company as member bank, and that the transactions are approved by appropriate State authorities. Please furnish Board with copies of any amendments to bank's articles of incorporation, agreements, or contracts pertaining to the transactions. As you know, approval of the Board is not required for establishment of a branch within the city."

Approved unanimously.

Letter to Mr. W. G. Schack, Secretary-Treasurer, Bicycle Manufacturer's Association, Angola, New York, reading as follows:

"This refers to your letter dated May 14, 1936, addressed to the Comptroller of the Currency, presenting the question whether a deposit of funds of the Bicycle Manufacturer's Association may be classified by a national bank as a savings deposit within the definition contained in section 1(e) of Regulation Q. Your letter has been referred by the Comptroller to the Board of Governors of the Federal Reserve System for reply.

"You state that the funds of the Bicycle Manufacturer's Association are used principally to make it safe to ride bicycles by advocating the building of bicycle paths in parks of cities throughout the country and along the public highways, but that the association is not engaged in any mercantile

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"business and is not operated for profit. You also state that in your opinion the finances of the association are used for educational work and for this reason that deposits of the association appear to fall within the definition contained in section 1(e) of Regulation Q.

"As you know, under the provisions of section 1(e) of Regulation Q, a member bank of the Federal Reserve System may not classify a deposit of a corporation, association or other organization as a savings deposit unless such organization is not operated for profit and, in addition, is operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes. Without undertaking to determine whether or not the Bicycle Manufacturer's Association is operated for profit, it is the opinion of the Board that, on the basis of the facts stated above, such association is not operated primarily for an educational purpose nor for any of the other purposes stated above, within the meaning of section 1(e) of Regulation Q. Accordingly, a deposit of such association may not be classified by a national bank or other member bank as a savings deposit.

"This opinion is in accordance with the Board's rulings in other cases involving similar organizations. For instance, the Board has ruled that the United States Chamber of Commerce, the National Lime Association, the American Retail Federation, Inc., the Dairymen's League Cooperative Association, Inc. and citrus growers associations may not be considered as organizations operated primarily for the purposes stated in section 1(e) of Regulation Q and, therefore, deposits of such organizations may not be classified by member banks as savings deposits.

"Although a deposit of the Bicycle Manufacturer's Association may not be classified by a member bank as a savings deposit, your attention is invited to the fact that there is nothing in Regulation Q to prevent such association from placing its funds in an interest-bearing time deposit in a member bank.

"If you should have any further questions regarding this matter or any similar matter, it is believed that you may find it more convenient to communicate with the Federal Reserve Bank of New York, which will be glad to answer your inquiries."

Approved unanimously.

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

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"Careful consideration has been given to your letter of May 1, 1936, regarding the applicability of the Clayton Act to the service of Mr. C. H. M. Atkins as chairman of the board of The First National Bank of Norwood, Norwood, Ohio, and as director of The Fifth-Third Union Trust Company, Cincinnati, Ohio.

"You state that in response to an inquiry from Mr. W. E. Thayer, cashier of The First National Bank of Norwood, Mr. Anderson, Assistant Federal Reserve Agent, wrote Mr. Thayer on November 3, 1933, in part as follows:

'Permits are now in force for Messrs. C. H. M. Atkins and * * * ; therefore, it will not be necessary for them to file applications for new permits.' and that relying on this advice no action was taken to obtain a new permit for Mr. Atkins, although the Board at that time granted a permit to another director to serve the same two banks which Mr. Atkins is serving.

"In view of all the circumstances of this particular case, the Board will interpose no objection to Mr. Atkins' continuing to serve in the capacities named above until February 1, 1939."

Approved unanimously.

Thereupon the meeting adjourned.

Charles Merrill

Secretary.

Approved:

W. C. C. C.
Chairman.