

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 21, 1936, at 11:00 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom
Mr. Davis

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:

Letter to the board of directors of the "DeRuyter State Bank", DeRuyter, New York, 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 New York:

- "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 \$3,653.52 and depreciation of \$438.53 in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, all as shown in the report of examination of such bank as of June 16, 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 New York.

Letter to the Federal Deposit Insurance Corporation, reading

7/21/36

-2-

as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that 'The State Bank of Viroqua', Viroqua, Wisconsin, became a member of the Federal Reserve System on July 20, 1936, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. A. L. Bingham, Vice President, The Union National Bank, New Brighton, Pennsylvania, reading as follows:

"This refers to your letter of July 1, 1936, inquiring whether an executive officer of a member bank who gives his note to a commercial house which later discounts it with another bank is required under Regulation O to report such indebtedness to the board of directors of the member bank of which he is an executive officer.

"Section 1(c) of Regulation O defines the terms 'loan', 'loaning', 'extension of credit', and 'extend credit' to include 'the acquisition by discount, purchase, exchange, or otherwise of any note, draft, bill of exchange or other evidence of indebtedness upon which an executive officer may be liable as maker, drawer, indorser, guarantor, or surety', and contains certain exceptions which do not appear to be applicable to the question under consideration. Section 5

7/21/36

-3-

"of such regulation provides, in substance, that if an executive officer of a member bank becomes indebted to any bank other than the member bank of which he is an executive officer he shall make a written report of such indebtedness to his board of directors. Therefore, when an obligation of an executive officer is acquired by another bank in the manner described in your letter he thereupon becomes indebted to such bank within the meaning of the Board's Regulation O and such indebtedness is required to be reported as provided in section 5 of such regulation.

"The Board realizes, of course, in the case of obligations of executive officers of member banks given to others than banks, that the executive officer involved will not always know when his obligation has been acquired by another bank. However, when the executive officer becomes aware of such fact, he should make a written report of such indebtedness as required in section 5 of the Board's Regulation O.

"A copy of Regulation O is inclosed."

Approved unanimously.

Thereupon the meeting adjourned.

Chas. M. Moulton
Secretary.

Approved:

W. S. Lewis
Chairman.