A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 11, 1936, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Thurston, Special Assistant to the Chairman
Mr. Vest, Assistant General Counsel
Mr. Leonard, Assistant Chief of the Division of Examinations

There was presented a memorandum from the Division of Examinations submitting the application of "The First National Bank of Christiansburg", Christiansburg, Virginia, for full fiduciary powers. The memorandum reviewed the condition of the bank, its management, and other matters to be given consideration by the Board in acting upon the application, and stated that the Division would be inclined to recommend that the bank be authorized to act as trustee, executor, administrator and guardian of estates, if it were not for the policy of not granting trust powers when the office of the Comptroller of the Currency has submitted an unfavorable recommendation, and that the Acting Comptroller had advised in this case that he felt that as there was little trust business in prospect and as the trust department would probably be operated at a loss the office could not recommend approval of the application. The memorandum suggested that, in view of these circumstances, the application be again referred to the Comptroller of the Currency for further consideration, partly in view of the additional information developed.
since the adverse recommendation of his office was made, but more par-

ticularly to acquaint the Comptroller's office with the Board's views

applicable to this and comparable situations and to obtain a coordina-
tion of the policies of that office and the Board in acting on applica-
tions for trust powers. There was attached to the memorandum a draft

of a letter to the Comptroller of the Currency in accordance with the

suggestion of the Division of Examinations. Mr. Ransom had attached a

note to the file suggesting that the matter be discussed by the Board

before the proposed letter was sent. Accordingly, the file had been

circulated among the members of the Board for their information prior

to consideration at a meeting of the Board.

The various aspects of the application were discussed and it

was pointed out that, while the institution was small and located in a
town with a population of only 1,970 people, it was in good condition

with satisfactory management and that perhaps the principal reason for

its desire to exercise trust powers was the fact that a competitor non-

member bank in the town had authority to exercise trust powers. In

this connection reference was made to the action taken at the meeting

of the Board on December 10, 1935, in granting trust powers to the

Decatur County National Bank of Greensburg, Greensburg, Indiana, under

somewhat similar circumstances and the members of the Board present

indicated that they were in agreement with the policy established at

that time.

At the conclusion of the discussion,

the members present expressed themselves
unanimously as being in favor of granting to The First National Bank of Christiansburg, Christiansburg, Virginia, authority to act as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics, but that before such action is taken Mr. Ransom should take the matter up with the Comptroller of the Currency in the light of the circumstances set forth in the draft of letter prepared by the Division of Examinations, and that, upon receipt of the Comptroller's final recommendation, the matter should be considered again by the Board.

There followed a brief discussion of the possible movement of funds by member banks in order to meet the increase in reserve requirements which, pursuant to the Board's action of July 14, 1936, is to take effect as of the close of August 15, 1936. Mr. Ransom reported to the Board certain information which he had received as to steps which were being taken to meet the situation.

Mr. Ransom distributed to the members of the Board copies of a memorandum prepared by him under date of August 7, 1936, to which were attached two drafts of subsection 1(e) of Regulation Q each containing a revised definition of "savings deposits" which had been prepared by counsel and discussed by the staff in accordance with the action taken at the meeting of the Board on July 28, 1936. The memorandum stated that it would be appreciated if, preparatory to discussion at a meeting, each member of the Board would review the definitions and indicate to Mr. Ransom his preference, or, in the event he felt that neither
draft of definition was satisfactory, if he would submit to Mr. Ransom a draft of definition which would express the member's conception of a proper definition. The members present indicated that they would act in accordance with Mr. Ransom's request.

Mr. Ransom stated that the office of the Comptroller of the Currency had suggested that the Board consider what action might be taken by it to bring an end to the practice followed by some member banks of guaranteeing, generally at the request of broker customers of the banks, the signatures on certificates of stock authorizing the transfer of the stock represented by the certificates. He stated that in many cases the signatures are of persons who are not customers of the banks and therefore are unknown to the banks, that the practice is followed in order to make the certificates eligible for transfer, and that the practice as to signatures of holders of certificates who are not customers of the banks was one which should be discouraged as unsound and involving the possibility of considerable liability on the part of the banks. He also said that he had discussed the matter with President Fleming of the American Bankers Association who had reported that the Association was considering the matter with a view to suggesting to the banks that they adopt a procedure in connection therewith which would be in accordance with sound practice.

Mr. Ransom then stated that Mr. C. W. Allendoerfer, Vice President of the First National Bank of Kansas City, and President of the
National Bank Division of the American Bankers Association, had advised him that a committee of the Association was studying the question whether the Association should request that the Federal reserve banks discontinue the handling of non-cash collection items. Mr. Allendoerfer had stated, Mr. Ransom said, that the committee had learned that consideration was being given to this matter by a committee of the Presidents' Conference, of which President Young is chairman, and had expressed a desire that the two committees cooperate on a study of the problem.

It was stated that President Young had indicated that he would welcome such cooperation from the Association committee. Mr. Ransom added that he had advised Mr. Allendoerfer that he saw no objection to such a procedure and that Mr. Allendoerfer had assured him that the committee would make no recommendation without first submitting the matter to the Board.

At this point Messrs. Thurston, Vest and Leonard left the meeting and consideration was then 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 August 7, 1936, were approved unanimously.

Telegram dated August 10, 1936, 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 dis-
Letter to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"This refers to the two letters of your Corporation of April 29, 1936, submitting to the Board under the provisions of paragraph (1) of subsection (i) of section 12B of the Federal Reserve Act statements of facts relating to unsafe and unsound practices in the conduct of the business of the Perth Amboy Trust Company and the Raritan Trust Company, both of Perth Amboy, New Jersey.

"Subsequent to the receipt of these letters by the Board, certain developments which are familiar to the staff of your organization and the Board's staff indicated that it would be desirable for the Board to defer the transmission of notices to the trust companies under the provisions of section 12B(i)(1). These developments were discussed by members of the Board's Division of Examinations with members of your Division of Examinations and it is understood that they agreed that, as a practical matter, it was desirable for the Board to defer the transmission of such notices. Therefore, the transmission of such notices has been deferred with the informal understanding that your representatives felt that it was desirable to do so. The Board understands that the members of its staff, members of the staff of your organization, and representatives of the Federal Reserve Bank of New York are cooperating in efforts to work out the situation in Perth Amboy in the most practical manner. The Board, therefore, would appreciate advice as to whether your Corporation feels that it is desirable in these circumstances to continue to defer the transmission of such notices, with the understanding that in the meantime representatives of your Corporation, the Board, and the Federal Reserve Bank will continue their cooperative action in the matter."

Approved unanimously.

Letter to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of July 30, 1936,
relative to the apparent violation of Section 9 of the Federal Reserve Act by the Iowa State Bank, Algona, Iowa, through the purchase in January 1936 of 50 shares of Algona Federal Savings and Loan Association stock for a consideration of $5,000.

"It is noted that the bank was under the impression that the transaction represented a deposit and not an investment in stock and that it would like to retain the stock until December 31, 1936, in order that the full year's income on the investment might be received.

"In view of the circumstances and in accordance with your recommendation, the Board will interpose no objection to the retention by the bank for a limited period of the stock in question provided it is disposed of by December 31, 1936."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Vice Chairman.