A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, August 22, 1936, at 10:00 a.m.

PRESENT: Mr. Broderick
Mr. Szymczak
Mr. Davis
Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

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

"The Board of Governors of the Federal Reserve System has considered the recommendations of the Executive Committee of your bank, contained in your letters of July 21, 1936 and August 10, 1936, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to 'The Terminal National Bank of Chicago' and the 'Madison-Crawford National Bank of Chicago' to maintain the same reserves against net demand deposits and time deposits as are required to be maintained by Reserve city banks, effective with the first semi-weekly reserve computation period beginning after the date of this letter.

"Please advise the respective banks of the Board's action in this matter, calling attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System at any time after appropriate notice to the member bank."

Approved unanimously having been previously approved by five members of the Board as required by Section 19(c) of the Federal Reserve Act.

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

"Reference is made to your letter of August 12 inquiring whether there should be any change in the group classifications of member banks for the forthcoming election of Class A and B directors of the Federal Reserve Bank of Chicago.

"The classification of member banks approved by the Board of Governors of the Federal Reserve System last year under which Group 1 member banks include banks having a combined capital and surplus of more than $999,000 and Group 3 member banks include banks having a combined capital and surplus of less than
"$200,000 should be observed unless in your opinion a reclassification of member banks for electoral purposes is desirable, in which case the Board should be furnished with detailed information and a recommendation for its consideration.

"In the absence of a Chairman notices of elections and letters of transmittal to banks entitled to vote should go out over the signature of the Deputy Chairman."

Approved unanimously.

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

"Receipt is acknowledged of your letter of August 17, 1936, requesting approval of the employment of the firm of Mayer, Meyer, Austrian & Platt and Mr. Adelbert Brown in connection with the above matter. It is observed that you desire to employ the above firm and Mr. Adelbert Brown for the purpose of contesting the illegal part of the assessment upon your building for the year 1935. The Board has already approved their employment for the same purpose in connection with the assessment upon your building for the year 1934 and this is to advise that their employment in connection with the taxes for the year 1935 is approved, upon a contingent fee basis of not less than 5 per cent nor more than 10 per cent of the savings on the taxes, exclusive of certain court costs referred to in your letter. It is understood that the total fee will depend upon the work involved and the number of parties who are joined in the action."

Approved unanimously.

Letter to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of August 1, 1936, with further reference to the indebtedness of Mr. Craig MacQuaid, President of the United Bank & Trust Company, St. Louis, Missouri, to the Mercantile-Commerce Bank and Trust Company, of that city, which the Board in its letter of July 16, 1936, advised you was a liability which should be reported to the board of directors of the United Bank & Trust Company by Mr. MacQuaid under the provisions of section 22(g) of the Federal Reserve Act.

"You advised that Mr. MacQuaid is endeavoring to reach an agreement with the beneficiaries of the trust, which is being administered by the Mercantile-Commerce Bank and Trust
"Company and in which the note of Mr. MacQuaid is held, whereby he would be relieved of any liability on such note and the life insurance policies which are held as collateral to the note would be accepted in full settlement of his indebtedness. It appears that some of the parties at interest cannot be reached immediately and you have recommended that any action in the matter be deferred until September 10, 1936, in order that Mr. MacQuaid may have a reasonable opportunity to work out the proposed agreement with the beneficiaries of the trust. In view of your recommendation and all the circumstances involved in the matter, you are advised that the Board has no objection to a deferment of any further action in this matter until September 10, 1936, upon the understanding that not later than that date Mr. MacQuaid will make a full report of the matter to the board of directors of the United Bank & Trust Company as contemplated by section 22(g) of the Federal Reserve Act and section 5 of the Board's Regulation 0.

"It appears that if by September 10, 1936, the proposed agreement is effected whereby Mr. MacQuaid would be relieved of liability on the note held by the Mercantile-Commerce Bank and Trust Company, as trustee, he would not expect to make any report of the indebtedness to the board of directors of the United Bank & Trust Company. However, the applicable provisions of section 22(g) of the Federal Reserve Act contemplate that the board of directors of a member bank shall be advised of the indebtedness of the executive officers of such bank to other banks, and it is the view of the Board that the mere elimination of such an indebtedness coming within the provisions of the law would not eliminate the obligation of the executive officer to report the matter to his board of directors. Therefore, in view of the purposes of the law and of all of the facts involved in this particular case, the Board feels that Mr. MacQuaid should make a full report of the indebtedness to the board of directors of the United Bank & Trust Company whether or not he is relieved of liability for such indebtedness under the proposed agreement with the beneficiaries of the trust being administered by the Mercantile-Commerce Bank and Trust Company. However, in view of all the circumstances involved, the Board will not object to a deferment of the making of such report until not later than September 10, 1936, if it is definitely understood by Mr. MacQuaid that he will make such a report not later than that date. Please advise Mr. MacQuaid of the Board's position in this matter as soon as possible.

"The information which has been submitted with regard to the proposed agreement between Mr. MacQuaid and the beneficiaries of the trust is not in sufficient detail to enable the Board to reach a conclusion as to whether or not
"Mr. MacQuaid under such an agreement will be relieved of all liability for his indebtedness to the Mercantile-Commerce Bank and Trust Company, as trustee, and, in view of the advice contained in this letter, the Board has not attempted to reach any definite conclusion on that question. In this connection, it is not clear what arrangements will be made for the payment of premiums on the life insurance policies which secure the indebtedness, and it occurs to the Board that it is possible that, in connection with any agreement regarding such premiums, Mr. MacQuaid may retain some liability for the indebtedness."

Approved unanimously.

Thereupon the meeting adjourned.

_Chester Moreil_  
Secretary.

Approved:  
Member.