

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 21, 1936, at 12:15 p. m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. Davis

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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 11, 1936, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on September 12, 14, 16, 17, 18 and 19, 1936, were approved and the actions recorded therein were ratified unanimously.

Telegram to Mr. Moore, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Relet September 1, 1936. Board approves bond covering W. D. Shortt as Assistant Federal Reserve Agent. It is noted that H. A. Sonne has executed bond as Assistant Federal Reserve Agent. As you know, Board approved your appointment of Sonne as Alternate Assistant Federal Reserve Agent, and for record purposes and to avoid the possibility of any question being raised by bonding company in this connection, please have him execute a new bond as Alternate Assistant

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"Federal Reserve Agent and submit it to Board as soon as possible. Bond of Sonne forwarded with your letter of September 1, 1936, being returned to you today."

Approved unanimously.

In connection with the above telegram, there was brought to the attention of the Board a memorandum dated September 16, 1936, from Mr. Wingfield, Assistant General Counsel, stating that in passing on the bonds of Messrs. Shortt and Sonne it had been noted that Mr. Shortt had also been designated as an assistant examiner, and Mr. Sonne as chief examiner, for the San Francisco bank; that it was understood that Mr. Shortt was on the payroll of the Federal Reserve Agent, but it was not clear from the Board's records whether Mr. Sonne would be on the payroll of the Federal Reserve Bank or of the Federal Reserve Agent; and that, in the circumstances, it appeared that the appointment of Messrs. Shortt and Sonne as Assistant Federal Reserve Agent and Alternate Assistant Federal Reserve Agent, respectively, may be in conflict with the requirements of Section 16 of the Federal Reserve Act as reflected in the Board's letters of July 15, 1926, X-4633, and August 25, 1934, X-7992, copies of which were attached to the memorandum. The memorandum also stated that, since the appointments of Messrs. Shortt and Sonne had already been made by the Board, counsel's office had not attempted to pass on any legal questions which may be involved in such appointments in connection with its consideration of the bonds of Messrs. Shortt and Sonne.

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Letter to Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of September 1, with respect to the placing of the statistical and analytical function and the Securities Exchange unit under the supervision of Vice President Clark.

"Mr. Goldenweiser, Director of the Board's Division of Research and Statistics, expects to be in Atlanta within the next few weeks and he would like to discuss with you at that time certain matters connected with the research and statistical function at your bank, after which the Board will be glad to act upon your recommendation with respect to the placing of the research and statistical function at your bank under the supervision of Vice President Clark. The placing of the work in connection with the administration of the Securities Exchange Act of 1934 under the supervision of Vice President Clark is satisfactory to the Board."

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Referring to your letter of September 11, the Board approves the action of your Board of Directors in establishing an employees' loan fund in the amount of \$3,000 to be used in making loans to employees under the conditions set forth in your letter and the accompanying resolution."

Approved unanimously.

In accordance with the action taken at the meeting of the Board on September 18, 1936, there was presented, after having been previously circulated to members of the Board, a memorandum dated September 16, 1936, from Mr. Wingfield, Assistant General Counsel, to which was attached a letter addressed to the Board under date of September 3, 1936, by the Comptroller of the Currency transmitting, pursuant to the pro-

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visions of Section 30 of the Banking Act of 1933, a certificate of facts relating to violations of law and the exercise of unsafe or unsound practices by Mr. H. S. Johnson, President and Director of The Point Pleasant National Bank, Point Pleasant, West Virginia, a draft of a form of notice of hearing, proposed letters, and other documents necessary to comply with the requirements of Section 30.

Mr. Wingfield stated in the memorandum that the question before the Board for determination was whether on the basis of the facts stated in the Comptroller's certificate the Board should cause notice to be served on Mr. Johnson to appear before it to show cause why he should not be removed from office as president and director of the bank; that it appeared from the certificate submitted by the Comptroller that Mr. Johnson had continued to violate laws relating to the bank and had continued unsafe or unsound practices in conducting the business of such bank after having been warned by the Comptroller of the Currency; that it was his opinion that on the basis of the facts as certified the Board was warranted in causing such notice to be served on Mr. Johnson; and that, therefore, it was recommended that notice in the following form be personally served on Mr. Johnson by a representative of the Board:

"J. F. T. O'Connor, Comptroller of the Currency of the United States, being of the opinion that, as a director and

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"officer of The Point Pleasant National Bank, Point Pleasant, West Virginia, you have continued to violate laws relating to such banking association and have continued unsafe or unsound practices in conducting the business of such banking association after having been warned by the Comptroller of the Currency to discontinue such violations of law and such unsafe or unsound practices; and, the said J. F. T. O'Connor, Comptroller of the Currency of the United States, pursuant to the provisions of section 30 of the Banking Act of 1933, having certified the facts to the Board of Governors of the Federal Reserve System; you are hereby notified and ordered to appear before the Board of Governors of the Federal Reserve System at its offices in the Washington Building in the City of Washington, in the District of Columbia, on October 22, 1936, at 11 A. M., and to show cause why you should not be removed from office as a director and officer of The Point Pleasant National Bank, Point Pleasant, West Virginia, on the basis of the facts certified to by the Comptroller of the Currency in the aforesaid certificate filed by him with the Board of Governors of the Federal Reserve System, a true copy of which is annexed hereto and made a part hereof.

"By order of the Board of Governors of the Federal Reserve System this 21 day of September, A. D. 1936."

Approved unanimously, together with  
a letter to the Comptroller of the Currency  
reading as follows:

"This refers to your letter of September 3, 1936, inclosing a certificate made by you to the Board pursuant to the provisions of section 30 of the Banking Act of 1933 in the case of Mr. H. S. Johnson, president and director of The Point Pleasant National Bank, Point Pleasant, West Virginia.

"In this connection there is inclosed for your information a copy of a notice of hearing which is being served by the Board on Mr. H. S. Johnson. It is understood from informal conversations with Mr. Kelly of your office that it will be convenient to your office for such hearing to be held on October 22, 1936. Your particular attention is called to the fact that the hearing is to be held in the Board's offices at 11 o'clock on the morning of that date, in order that your office may be prepared to have such representatives present as will be necessary to present evidence in this case."

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In connection with the above matter, the Secretary was authorized to send letters in the following form to Messrs. A. L. Neale, G. L. Pullin, C. W. Sterret and H. A. Johnson, directors of The Point Pleasant National Bank, as soon as the above notice had been served on Mr. Johnson:

"Pursuant to the provisions of section 30 of the Banking Act of 1933, there is inclosed herewith for your information as a director of The Point Pleasant National Bank, Point Pleasant, West Virginia, a copy of a notice and order which the Board of Governors of the Federal Reserve System has caused to be served upon Mr. H. S. Johnson, to show cause why he should not be removed from office as an officer and director of The Point Pleasant National Bank, Point Pleasant, West Virginia, for continued violations of laws relating to such banking association and for continued unsafe and unsound practices in conducting the business of such bank, after having been warned by the Comptroller of the Currency to discontinue such violations of laws and such unsafe and unsound practices.

"For your information in this connection there is also inclosed a copy of section 30 of the Banking Act of 1933."

Thereupon the meeting adjourned.

Chester M. Moore  
Secretary.

Approved:

Donald H. Johnson  
Vice Chairman.