

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 1, 1936, at 11:00 a. m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Broderick

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. Thomas and Moore, Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, respectively, stating that the Board approves the establishment without change by the banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated September 29, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Lois Lucille Barnett, a temporary clerk in the Division, be employed on a permanent basis, effective October 1, 1936, subject to her passing satisfactorily the usual physical examination, with salary at the rate of \$1,440 per annum.

Approved unanimously.

Letter to Mr. Dillistin, Assistant Federal Reserve Agent at the

10/1/36

-2-

Federal Reserve Bank of New York, reading as follows:

"This will acknowledge receipt of your letter dated September 25, 1936, requesting a ruling of the Board upon the question whether deposits of 'The Pension Fund Commission of the Police and Fire Departments of the Township of Union', New Jersey may be classified by member banks as savings deposits under the definition contained in section 1(e) of Regulation Q.

"The Board of Governors now is reconsidering a number of the rulings which it has heretofore made with respect to the question whether particular types of deposits may be classified as savings deposits and has in view the possibility that it may be desirable to make some modification of the definition of savings deposits contained in the regulation.

"Pending the reconsideration of this subject, it does not seem advisable to pass upon questions as to the classification of particular types of deposits as savings deposits, but as soon as a conclusion is reached regarding this matter, consideration will be given to the question presented in your letter."

Approved unanimously.

Letter to Mr. J. F. T. O'Connor, Comptroller of the Currency,  
reading as follows:

"This will acknowledge receipt of Mr. Prentiss's letter of September 18, 1936, inclosing a copy of a letter dated September 4, 1936, from the Hazleton National Bank, Hazleton, Pennsylvania, regarding the question whether deposits of the Middle Coal Field Poor District may be classified by member banks as savings deposits under the definition contained in section 1(e) of Regulation Q.

"The Board of Governors now is reconsidering a number of the rulings which it has heretofore made with respect to the question whether particular types of deposits may be classified as savings deposits and has in view the possibility that it may be desirable to make some modification of the definition of savings deposits contained in the regulation.

"Pending the reconsideration of this subject, it does not seem advisable to pass upon questions as to the classi-

10/1/36

-3-

"fication of particular types of deposits as savings deposits, but as soon as a conclusion is reached regarding this matter, consideration will be given to the question presented in Mr. Prentiss's letter."

Approved unanimously.

Letter to Mr. H. C. Bailey, Associate Trust Officer, Hartford National Bank and Trust Company, Hartford, Connecticut, reading as follows:

"This refers to your letter of August 28, 1936, making inquiries with respect to the interpretation of the Board's Regulation O relating to loans to executive officers of member banks.

"It is understood that in 1928 you received a loan from the Bankers Trust Company of Hartford, a trust company organized under the laws of the State of Connecticut, and that several years thereafter this institution was merged with the Hartford National Bank and Trust Company and became a branch thereof. You request to be advised whether such loan comes within the prohibitions of Regulation O and also whether, as an associate trust officer, you are to be regarded as an executive officer of the Hartford National Bank and Trust Company within the meaning of the regulation. It is understood that the merger to which you refer took place on December 9, 1933.

"There is inclosed herewith a copy of Regulation O. You will observe that the term 'loan' as defined in the regulation does not include the acquisition of any note, draft, bill of exchange or other evidence of indebtedness through a merger or consolidation of banks or a similar transaction by which a bank acquires assets and assumes liabilities of another bank. However, the law on this subject, which is contained in section 22(g) of the Federal Reserve Act, was amended by the Banking Act of 1935, and prior to these amendments the Board of Governors had no authority to define the term 'loan' or to issue regulations on this subject. Section 22(g) then provided criminal penalties for violations thereof and, therefore, questions as to whether transactions occurring prior to the Banking Act



10/1/36

-4-

"of 1935 constituted violations of the law fall within the jurisdiction of the Department of Justice. Accordingly, the Board may not appropriately express an opinion as to whether the transaction to which you refer, which occurred in 1933, constituted a violation of the law.

"The question whether you were to be regarded as an executive officer of the Hartford National Bank and Trust Company at the time of the merger is likewise a question which falls within the jurisdiction of the Department of Justice and upon which the Board may not appropriately express an opinion. The amendments made to the law by the Banking Act of 1935 authorized the Board to define the term 'executive officer' and you will observe the definition of that term contained in the inclosed Regulation O. However, without more complete information than it now has with regard to your authority under the by-laws of your bank and the nature of your duties, the Board is unable to advise you as to whether you would now be considered an executive officer under the terms of this regulation."

Approved unanimously.

Letter to Mr. B. E. Claypool, Cashier, Merchants National Bank, Montgomery, West Virginia, reading as follows:

"This refers to your letter of September 2, 1936, in which you inquire whether a vice president and two assistant cashiers of your bank should be regarded as executive officers within the meaning of section 22(g) of the Federal Reserve Act and the Board's Regulation O. You state that the vice president in question is also a director but that he takes no active part in the bank other than the performance of his duties as director; and that the assistant cashiers to whom you refer perform merely the work of tellers and do not make loans or pass upon matters of an executive nature.

"At the time of the consideration of Regulation O, the Board was aware of the fact that some banks had honorary or inactive officers who did not actively participate in the management of the bank; but it was the view of the Board that bank officials whose titles may cause the public to consider them executive officers should comply with the rules governing executive officers. Moreover, a vice president of a member bank, although actually inactive in the management of the bank, nevertheless is in a position to exercise

10/1/36

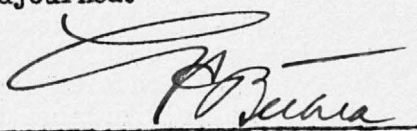
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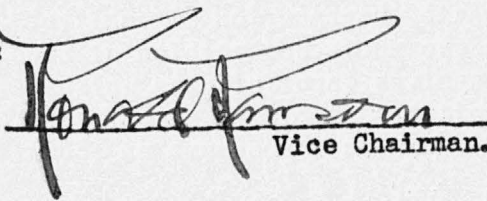
"actively the duties of his office should occasion arise. Also, Congress did not make a distinction in section 22(g) between active and inactive officers, and the Board, in prescribing a general rule applicable to all member banks alike, did not feel that it should make such a distinction when defining the term 'executive officer' pursuant to the authority vested in the Board by the law. Accordingly, every vice president of a member bank has been included within the definition contained in subsection (b) of section 1 of the Board's Regulation O, whether or not he is active; and therefore the vice president of your bank to whom you refer should be regarded as an executive officer within the meaning of the regulation.

"Whether the assistant cashiers named in your letter should also be regarded as executive officers depends, not upon their titles, but upon the nature of the duties performed by them. If, as provided in section 1(b) of Regulation O, they participate in the management of the bank, they must be regarded as executive officers even though their titles contain the designation of assistant. Your statement that they perform only the work of tellers and do not make loans or pass upon matters of an executive nature indicates that such assistant cashiers may not be executive officers within the meaning of that term as defined in Regulation O. However, since the Board is not fully advised as to their authority under the by-laws of your bank and does not have complete details regarding the nature of their duties, it is unable to advise you definitely in the matter."

Approved unanimously.

Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved: 

Vice Chairman.