

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 2, 1936, at 10:30 a. m.

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

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:

Telegrams to Messrs. Kimball, Strater and Young, Secretaries of the Federal Reserve Banks of New York, Cleveland and Chicago, respectively, stating that the Board approves the establishment without change by the New York bank on October 1, 1936, and by the Cleveland and Chicago banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Gidney, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 16, 1936, and its inclosures, relating to the status of 'Citizens Shareholders of Arcade, Inc.', Arcade, New York, as a holding company affiliate under the provisions of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935.

"The Board has determined that Citizens Shareholders of Arcade, Inc. is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act

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"of 1935, and, accordingly, that corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to Citizens Shareholders of Arcade, Inc. advising it concerning the Board's action in this matter. Please transmit the letter to that corporation. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection, it is requested that you advise the Board if, at any time, you believe this matter should again be considered by it."

Approved unanimously, together with  
a letter to Citizens Shareholders of  
Arcade, Inc., Arcade, New York, reading  
as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of The Citizens Bank of Arcade, Arcade, New York; to the general voting permit issued to your corporation under date of July 31, 1935; and to your corporation's request that the Board determine that it is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

"The Board understands that your corporation owns or controls 1,936 of the 2,500 outstanding shares of stock of The Citizens Bank of Arcade, but that it does not own or control any stock of, or manage or control, any other bank. In view of these facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, your corporation is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, your corporation should at any time own or control a substantial portion of the stock of, or manage or control any bank other than The Citizens Bank of Arcade, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts.

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"In view of the fact that your corporation is no longer a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act, the general voting permit heretofore issued to your corporation is no longer effective. If your corporation is later determined by the Board to be a holding company affiliate subject to the provisions of law relating to voting permits, it will be necessary for your corporation to obtain a new voting permit before the stock which it then owns or controls of any subsidiary member bank may lawfully be voted."

Memorandum dated September 26, 1936, from Mr. Smead, Chief of the Division of Bank Operations, stating that replies have been received from all Federal reserve banks in response to the Board's letter of September 3, 1936, which inquired whether the respective Presidents saw any necessity for extending the authority granted by the Board to the reserve banks to discount eligible paper under the provisions of the third paragraph of Section 13 of the Federal Reserve Act, which authority expired on July 31, 1936. The memorandum also states that the reply received from President Young of the Federal Reserve Bank of Boston indicated that, while no applications for the discount of paper under the third paragraph of Section 13 had been received by the Boston bank for several years, he believed that it might be desirable to make an extension in order to permit expeditious action if any need should develop, but that all of the other Federal reserve banks reported that they saw no reason for continuing their authority to make such discounts. The memorandum states further that since all the Federal reserve banks, except Boston, saw no reason for continuing such authority and since any individual, partnership, or corporation that could be accommodated under that paragraph of Section 13 could, no doubt, be accommodated under

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Section 13b of the Federal Reserve Act, there would seem to be no need at this time for the Board to extend further the authority of the Federal reserve banks to discount paper for individuals, partnerships, and corporations under the third paragraph of Section 13. Mr. Broderick had noted on the memorandum on October 1, 1936, that in talking with President Young on that date he had mentioned this matter to him and had learned that he did not feel strongly one way or the other; that he had indicated to President Young that the other Federal reserve banks felt that the discontinuance of the authority would do no harm, and that President Young had said that if the need should arise the authority could be reestablished.

Memorandum approved unanimously.

Letter to Mr. H. A. Bruce, New York, New York, reading as follows:

"Receipt is acknowledged of the application dated September 18, 1936, and signed by Messrs. James P. Gillespie, Frank O'Hare, Lionel H. Symons, H. A. Bruce, and Wm. J. Gillespie for approval and reservation of the title 'The International Discount Corporation' for a corporation proposed to be organized under the terms of section 25(a) of the Federal Reserve Act.

"Inclosed is a copy of the Board's Regulation K relating to banking corporations authorized to do foreign banking business under the terms of section 25(a) of the Federal Reserve Act. Your particular attention is called to the following paragraph of Section IV of the Regulation:

'So far as possible the title of the Corporation should indicate the nature or reason of the business contemplated and should in no case resemble the name of any other corporation to the extent that it might result in misleading or deceiving the public as to its identity, purpose, connections, or affiliations.'

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"In view of the similarity of the proposed title to that of the Discount Corporation of New York, which it is understood is generally referred to as 'The Discount Corporation', it is suggested that the organizers of the proposed corporation give consideration to the selection of another title which is not so likely to be confused with that of an established corporation operating in the same locality.

"It is also suggested that if you have any questions as to further procedure regarding the organization of the proposed corporation, you communicate with the Federal Reserve Bank of New York, the officers of which will be glad to advise you regarding the organization of banking corporations under the provisions of section 25(a) of the Federal Reserve Act."

Approved unanimously, together  
with a letter to Mr. Harrison, President  
of the Federal Reserve Bank of New York,  
reading as follows:

"Inclosed for your information is a copy of a letter which the Board has today forwarded to Mr. H. A. Bruce, 40 Wall Street, New York, N. Y., in response to an application for approval of the title 'The International Discount Corporation' for a corporation proposed to be organized under the terms of section 25(a) of the Federal Reserve Act.

"It is understood that the names of the organizers of the proposed corporation as they appear on the application for approval of the title (F.R.B. Form 150) may not be those of the actual principals. Before acting upon the request for the approval of the organization of any such corporation, the Board, of course, will require the disclosure of the names of those who are expected to supply the capital for and to manage the proposed corporation."

Letter to Mr. Roderick H. Riley, c/o Honorable Robert M. LaFollette, Jr., Senate Office Building, reading as follows:

"Reference is made to your letter of August 25, 1936, in regard to charges of banks in Austin, Texas, for the collection of checks.

"It is, of course, the right of any citizen to call to the attention of the proper administrative agency infractions of the law which come to his knowledge and there has been no intention in our previous correspondence to suggest that such is not the case.

"It appears from your letter that you have been under the impression that the legality of the practices of the Austin member banks with respect to charges for the collection

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"of checks is not being investigated. The contrary is the case and appropriate action will be taken with a view to bringing into conformity with the law any such practice that is found to be illegal."

Approved unanimously, together with a letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to the correspondence of Mr. Roderick H. Riley, of Austin, Texas, with the Board in regard to charges made by banks in Austin, Texas, for cashing checks. For your information in this connection you will find inclosed a copy of a letter of August 25 to the Board from Mr. Riley and a copy of the Board's reply thereto. The Board's files have been reviewed and there is inclosed a copy of a brief memorandum from counsel containing a concise statement of the legal situation as it now appears. In the circumstances the Board will appreciate it if you will take the matter up with the member banks in Austin through such channels and in such manner as you think will most effectively accomplish the desired results, with a view to obtaining a correction of the practices of the member banks which will bring them within the provisions of the law as promptly as possible, advising the Board from time to time as to the progress made."

Memorandum dated September 30, 1936, from Mr. Noell, Assistant Secretary, recommending that, for the reasons stated in the memorandum, the Board authorize an additional amount of \$500 be added to the account "Special and Miscellaneous - General" in the Board's budget in order to provide funds to reimburse the Federal Reserve Bank of Cleveland for the expense of audit of the Fiscal Agent's accounts by the auditor of that bank and his staff, which has just been completed, and to meet any minor contingencies that may develop.

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Mowbray  
Secretary.

Approved:

Donald J. Fraser  
Vice Chairman.