A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 22, 1936, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
       Mr. Broderick
       Mr. Szymczak
       Mr. Bethea, Assistant Secretary
       Mr. Carpenter, 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 dated October 21, 1936, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, and Mr. Dillard, Deputy Chairman of the Federal Reserve Bank of St. Louis, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of October 15 with respect to the appointment of Mr. Jere V. D. Stryker as Assistant Federal Reserve Agent and to his continuing to hold the title of Chief of the Records and Analysis Division of the Bank Examinations Department.

"You are correct in your understanding that the Board's letter to you of September 30 was not intended to change the terms of the Board's approval of Mr. Stryker's appointment,
"as contained in its letter of September 29 to Mr. Gidney, so as to require Mr. Stryker to give up his title as Chief of the Records and Analysis Division of the Bank Examinations Department, which is not an official position."

Approved unanimously.

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

"This refers to your letter of October 8, 1936, forwarding the bond executed on October 7, 1936, by Mr. H. A. Sonne as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco. As you know, the Board approved this bond on October 15, 1936.

"It is noted that, before the bond referred to in your letter of September 28, 1936, was transmitted to the Board, consideration was given to the Board's requirement that the bond bear the date as of which it was actually executed, but that, in view of the circumstances involved, it was felt that the proper method to provide coverage for Mr. Sonne was to antedate the bond to September 1, 1936.

"In this connection, you are advised that the Board has taken the position that, while the bonds prescribed by it for execution by Federal Reserve Agents and Assistant Federal Reserve Agents do not become effective until they have been approved by the Board, upon such approval, they become retroactive to the date upon which the principal involved took office. Accordingly, the protection provided by the bond which Mr. Sonne executed on October 7, 1936, as Alternate Assistant Federal Reserve Agent is retroactive to September 1, 1936, the date upon which it is understood he took office in such capacity; but it is suggested that, if it has not already been done, the amount necessary to pay the premium on the bond from September 1, 1936, to October 7, 1936, be forwarded to the bonding company, with the request that it confirm the understanding that the bond also covers his activities as Alternate Assistant Federal Reserve Agent during that period."

Approved unanimously.

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

"Reference is made to your letter of October 8, 1936, and accompanying correspondence, in regard to the capital sufficiency of the 'Tompkins County Trust Company',
"Ithaca, New York, for the operation of its branch at Trumansburg, New York.

"It is noted that the retirement, on August 26, 1936, of $100,000 of the trust company's outstanding 'A' debentures held by the Reconstruction Finance Corporation, reduced its capital (exclusive of $100,000 of 'B' debentures held locally) to $460,000, or $40,000 less than the amount required for the establishment of out-of-town branches. It is also noted that the trust company is considering a revision of its capital which it hopes to have completed at or about the end of this year, and which it is assumed will correct the existing capital deficiency. In this connection, it appears that the trust company has ample funds available in its surplus, undivided profits and reserve accounts to enable it to increase its capital to at least the required minimum amount of $500,000 through the medium of a stock dividend, even though no outside financing is contemplated.

"In view of the circumstances the Board will take no action at this time toward requiring an increase in the institution's capital, but will expect it to proceed as promptly as possible to effect an adjustment thereof which will meet the legal requirements. It is understood, of course, that you will keep the Board advised of any developments in this connection."

Approved unanimously.

Letter dated October 21, 1936, to Mr. B. E. Claypool, Cashier, Merchants National Bank, Montgomery, West Virginia, reading as follows:

"This refers to your letter of October 5, 1936, inquiring further whether Mr. William Buchanan and Mr. H. D. Judy, Assistant Cashiers of your bank, are executive officers thereof within the meaning of section 22(g) of the Federal Reserve Act and the Board's Regulation 0.

"While you have stated that the by-laws of your bank do not provide for an Assistant Cashier and have furnished the Board with excerpts from the by-laws of your bank with respect to the Cashier and Tellers, you have not submitted any additional facts with regard to the nature of the duties performed by such Assistant Cashiers. The definition of an 'executive officer' contained in the Board's Regulation 0 refers specifically to certain officers and also includes every other officer of a member bank who participates
"In the management of the bank or any branch thereof, regardless of whether he has an official title or whether his title contains a designation of assistant, and regardless of whether he is serving without salary or other compensation * * *. The question whether a particular person is an executive officer within the meaning of the general provisions of the definition just quoted depends upon all of the facts in the particular case showing the nature of the duties performed by the person involved, and the Board does not feel that it is in a position to advise you definitely with regard to the two gentlemen mentioned in your letter on the basis of the information you have furnished. It is suggested that, upon the occasion of the next examination of your bank, you discuss this matter with the examiner and if after such discussion there appears to be any question as to whether or not the Assistant Cashiers you referred to come within the definition contained in the Board's Regulation O the examiner can develop complete details regarding the nature of their duties and submit the matter to the Comptroller of the Currency for further consideration by the Board if necessary."

Approved unanimously.

Letter to Mr. McRae, Assistant Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"It is noted that the B.M.C. Durfee Trust Company of Fall River, Massachusetts, submitted a Schedule 'O' in connection with its June 30, 1936, call report listing for the first time a number of affiliates, and that there is attached to the schedule a memorandum from the Federal Reserve Bank of Boston stating that the trust company does not recognize that the organizations listed are affiliates, does not have their statements on file, and will withdraw from the Federal Reserve System rather than publish their reports. It is noted further that the bank reported no loans or advances to any of its affiliates in column 5 of Schedule 'O'; that it did not show the capital account of the affiliates in column 2; and that it did not report anything in columns 3, 4, 6 and 7, which call for the amounts of the bank's investments in the capital stock and obligations of the affiliates, the amount of loans to officers, directors, employees or other representatives of the affiliates for the benefit thereof, and the amount of loans to others on capital stock or other obligations of the affiliates. It is understood that the companies listed in Schedule 'O'
"are affiliates of the bank by reason of the fact that a majority of their directors are directors of the bank, and that under the terms of the Board's waiver it was not necessary for the B.M.C. Durfee Trust Company to submit and publish reports of its affiliates as of June 30.

"It is assumed that the bank realizes that the term 'affiliate' as pertaining to member banks is defined by statute and is familiar with the law and the regulations of the Board with respect to the submission and publication of reports of affiliates. In view, however, of the incompleteness of Schedule '0' as submitted by the bank for June 30, 1936, it is suggested that the bank be advised that in submitting future reports it should fill in the information called for in each of the columns of Schedule '0' except that it need not show in column 2 the capital account figures of any affiliate, a report of which on Form 220 is waived under the instructions contained in Form 220b. Please also advise the bank that if capital account figures of an affiliate, a report of which is to be made on Form 220, are not available to the bank as of the date of the call for condition reports, it will be satisfactory if figures for any recent date are shown. In such cases the date to which the figures relate should be indicated.

"It is assumed that you will bring promptly to the Board's attention any failure on the part of the bank to submit and publish reports of its affiliates as required under the law and the Board's regulations."

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to Mr. Sonne's letter of October 7, 1936, inclosing a copy of a letter of September 2, 1936, from Anglo National Corporation, San Francisco, California, together with a copy of his reply thereto, relating to the interpretation of the following phrase contained in subsection (b) of section 5144 of the Revised Statutes of the United States which is quoted in the Appendix to Regulation P at page 10:

'* * * per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate * * *'

"Specifically, Anglo National Corporation inquired whether such phrase means the aggregate par value of all the outstanding shares of the various banks controlled by a
"holding company affiliate or merely the aggregate par value of the shares in controlled banks actually owned by such holding company affiliate.

"It is noted that Mr. Sonne advised Anglo National Corporation that, in the opinion of your counsel, such phrase does not apply to the aggregate par value of all the outstanding shares of the banks controlled by a holding company affiliate but only to the par value of shares of stock of controlled banks actually owned or otherwise controlled by such holding company affiliate.

"While apparently such correspondence concerned only the interpretation of the above quoted statutory phrase as applied to stocks of a holding company affiliate's subsidiary ('controlled') banks, the advice given to Anglo National Corporation may be construed to mean that such phrase does not apply to stock which a holding company affiliate controls of a bank which is not one of its subsidiary banks. Accordingly, attention is called to the fact that such phrase refers to all bank stocks controlled by the holding company affiliate, thus including stocks which it controls of banks which are not subsidiaries as well as stocks which it controls of banks which are subsidiaries. In order to avoid any possible misunderstanding, it may be desirable to bring this to the attention of Anglo National Corporation."

Approved unanimously.

Memorandum dated October 7, 1936, from Mr. Vest, Assistant General Counsel, recommending that there be published in the November issue of the Federal Reserve Bulletin a compilation, in the form attached to the memorandum, of Federal and State laws relating to branch banking within the United States which had been prepared in the office of the Board's General Counsel with the assistance of counsel to the various Federal reserve banks. The memorandum stated that the digest would supersede a similar compilation which was published in the Federal Reserve Bulletin for April 1930 and brought up to date in the Federal Reserve Bulletin for July 1932.

Approved unanimously.
Thereupon the meeting adjourned.

Assistant Secretary.

Approved:

Chairman.