

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 23, 1936, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Wingfield, Assistant General Counsel
Mr. Dreibelbis, Assistant General Counsel
Mr. Gardner, Research Assistant, Division of Research and Statistics
Mr. Morse, Junior Research Assistant, Division of Research and Statistics.

There was presented the memorandum prepared under date of October 19, 1936, by Messrs. Goldenweiser, Morrill and Wyatt on the subject of a procedure under section 14(g) of the Federal Reserve Act with respect to the establishment and maintenance by Federal reserve banks of relations with foreign banks or bankers. At the request of the Chairman, the memorandum was read and discussed paragraph by paragraph. In addition to suggestions as to particular paragraphs, the suggestion was made that the discussion with the representatives of the Federal Reserve Bank of New York should be put upon the broad grounds of the general responsibilities of the Board, and therefore it would be preferable not to confine the discussion to the procedure to

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be followed by the Federal reserve banks under section 14(g) of the Federal Reserve Act but to cover the procedure to be followed with respect to all foreign relationships of Federal reserve banks. Mr. McKee, however, felt that the conference with the New York representatives should be confined to the procedure necessary to accomplish the purposes of section 14(g) of the Federal Reserve Act.

The first suggestion was concurred in by the other members present and it was agreed that Messrs. Morrill, Goldenweiser and Wyatt should revise the memorandum accordingly and that the revised memorandum should be considered at the meeting of the Board on Tuesday, October 27, 1936.

Upon inquiry by Mr. McKee as to a date for the next meeting of the Federal Open Market Committee, it was agreed that November 19, 1936, would meet the convenience of the members of the Board. Accordingly, it was understood that Mr. Morrill would write to Presidents Fleming, Schaller, Hamilton and McKinney letters inquiring whether they could arrange to attend a meeting on that date, and that Chairman Eccles would communicate with President Harrison for the purpose of ascertaining whether, in connection with a meeting of the Federal Open Market Committee on November 19, the Presidents of the Federal reserve banks would desire to hold a meeting of the Presidents' Conference on November 20.

Messrs. Thurston, Goldenweiser, Wingfield, Dreibelbis, Gardner, and Morse left the meeting at this point and consideration was then 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 meetings of the Board of Governors of the Federal Reserve System held on October 19 and 20, 1936, were approved unanimously.

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 22, 1936, were approved and the actions recorded therein were ratified unanimously.

Telegrams to Messrs. Kimball and Clark, Secretaries of the Federal Reserve Banks of New York and Atlanta, respectively, stating that the Board approves the establishment without change by the New York bank on October 22, 1936, and by the Atlanta bank today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Sonne, Chief Examiner for the Federal Reserve Bank of San Francisco, reading as follows:

"Retel October 15, 1936. Board has heretofore ruled that State member bank may not move its location to another place and retain membership in Federal Reserve System if it has capital less than that required of State bank in such other place to become member of System. Accordingly, Board is of the opinion that State member bank referred to in your telegram may not effect a removal of its location to another city having population of 8,000 and remain a member bank unless it increases its capital to not less than \$100,000, the minimum amount required for admission to membership of a State bank located in such other city."

Approved unanimously.

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

"Inclosed for your information are copies of the Articles of Association and Organization Certificate of The International Funding Corporation submitted to the Board for approval and a copy of the Board's letter addressed today to Mr. H. A. Bruce, the correspondent and one of the organizers of the proposed organization.

"The organizers are the same individuals who previously applied for approval of the title 'The International Discount Corporation' and it is assumed that the title 'The International Funding Corporation' has been substituted in accordance with the suggestion made by the Board in its letter dated October 2 that a less confusing title be adopted.

"For consideration by the Board in passing upon the

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"matter, it will be appreciated if you will develop further information regarding the nature of the business to be undertaken and the ownership and proposed management of the organization. As stated in the Board's letter of October 2 to you, it is understood (from conversation with Mr. Dillistin) that the names of the organizers as given may not be those of the actual principals. Accordingly it is believed that it would be appropriate to request not only a list of the subscribers to the stock, but also to inquire whether the list of subscribers includes the name of any nominee or agent, and in case the list includes such names, to request information as to the actual principals. It is also believed that information should be developed as to whether there are any contracts or agreements pertaining to the sale or transfer of the stock or to the actual control of the corporation.

"It will be appreciated if, when forwarding the information, you will forward the recommendation of your bank as to the action which the Board should take in connection with the application."

Approved unanimously, together with a letter to Mr. H. A. Bruce, New York, New York, reading as follows:

"Receipt is acknowledged of the Articles of Association and Organization Certificate executed by Messrs. James P. Gillespie, Frank O'Hare, Lionel H. Symons, H. A. Bruce, and Wm. J. Gillespie, and submitted for approval in connection with the proposed organization of The International Funding Corporation as a banking corporation authorized to do foreign banking business under section 25(a) of the Federal Reserve Act.

"The Federal Reserve Bank of New York has been requested to develop further information for consideration by the Board in passing upon the matter, particularly information with respect to the nature of the business to be undertaken and the ownership and proposed management of the organization. Upon receipt of the requested information, consideration of the matter will be renewed."

Letter to Mr. Geery, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of October 7, 1936, inclosing a copy of a letter of October 6, 1936, from Northwest Bancorporation, Minneapolis, Minnesota, requesting a limited

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"voting permit entitling such corporation to vote the stock which it owns or controls of The First National Bank of Napoleon, Napoleon, North Dakota, for certain specified purposes.

"From the latest information available to it, the Board understands that The First National Bank of Napoleon has 200 shares of preferred stock and 250 shares of common stock outstanding; that all of the stock was voted at the preceding election of directors of the bank; that the Reconstruction Finance Corporation owns all of the preferred stock; and that Northwest Bancorporation owns or controls 200 shares of the common stock and none of the preferred stock.

"On the basis of such facts, the Board is of the opinion that Northwest Bancorporation is not now a holding company affiliate of The First National Bank of Napoleon. Accordingly, it appears that the voting permit requested by that corporation is unnecessary. If, however, the existing facts are not as stated above, please advise the Board and further consideration will be given to the matter."

Approved unanimously.

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

"Reference is made to Mr. Neil B. Dawes' letter of October 8, 1936, addressed to Dr. Carl E. Parry, concerning an inquiry from the American Industries Corporation of Detroit.

"Inasmuch as the Detroit stock exchange has declined to act in connection with applications of nonmembers of the exchange for extensions of time within which to obtain payment from their customers in connection with 'bona fide cash transactions' as provided by Regulation T, the Board of Governors severally authorizes the vice presidents of the Federal Reserve Bank of Chicago and the manager of the Detroit branch, in the case of any creditor having a place of business in the seventh Federal Reserve district, to exercise such powers as are given to the Business Conduct Committees under section 4(e) and under the fourth paragraph of section 6 of Regulation T, as amended, with respect to exceptional cases specified in such provisions.

"It is suggested that in the next communication with the American Industries Corporation, that Company be referred to Ruling No. 20 issued by the Board, which interprets the provisions of section 6 of Regulation T. It may

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"be that this dealer in many cases does not extend credit to his customers and that, consequently, in such cases the need for requesting extensions of time does not arise."

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of October 16 with its inclosure of a report of your bank relations activities for the month of September 1936, submitted in compliance with the Board's letter of August 25 (X-9680).

"The report is interesting and helpful, and meets the purpose the Board had in mind. The care with which it has been prepared is much appreciated. Your statement that you will probably experiment with the form and contents of the reports is noted. At this time the Board has no changes to suggest in either the form or content of the report."

Approved unanimously.

Telegram to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring your October 19 telegram, Board approves change in Interdistrict Time Schedule, Helena to Spokane, from one day to two days, which change you state has been concurred in by Federal Reserve Bank of San Francisco. Letter of advice being sent today to all Presidents. Under date of July 28, 1932 Board advised Governor Geery of its approval of a change in Interdistrict Time Schedule, Helena to Spokane, from one day to two days and notified all other Federal Reserve banks of the change. Board's files do not indicate whether change was put into effect. Please advise. Also, mail Board copy of present Helena time schedule."

Approved unanimously.

Memorandum dated October 17, 1936, from Mr. Smead, Chief of the Division of Bank Operations, to which was attached a copy of the balance sheet (Form 34) used by the Federal reserve banks during 1936 in submitting daily condition reports to the Board, on which had been

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indicated certain changes which it was recommended be incorporated in the form to be used during 1937. The memorandum also recommended that the printing of Form 34 be authorized.

Approved unanimously.

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

"This refers to your letter of October 14 and to Mr. Parker's letter of September 4 with respect to the proposed discontinuance of the leased telegraph wire between the Federal Reserve Bank of Atlanta and the New Orleans Branch and the substitution therefor of a timed wire service under contract with a commercial telegraph company.

"The Board understands that this change would result in a saving in telegraphic costs and as the timed wire service has worked out satisfactorily between other Federal Reserve banks and branches the Board can see no reason why it should not be adopted between your bank and the New Orleans Branch."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrell

Secretary.

Approved:

W. C. C. C.

Chairman.