

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, November 16, 1936, at 2:30 p. m.

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

Mr. Morrill, Secretary  
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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 13, 1936, were approved unanimously.

Telegrams to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Gilbert, First Vice President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Minneapolis bank on November 14, 1936, and by the Dallas bank today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Receipt is acknowledged of Mr. Lyons' letter of November 14, 1936, with regard to the Federal Reserve Issue and Redemption Division, the employees of which are now carried on the payroll of the Board of Governors of the Federal Reserve System. It is noted that your office will be agreeable to having the employees of that division transferred

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"to the payroll of the Comptroller of the Currency effective as of November 16, 1936, provided you are furnished with an appropriate resolution of the Board of Governors consenting to such transfer and agreeing, upon request of your office from time to time, to deposit to your credit with the Treasury of the United States the funds necessary to cover the expense of the operation of the Federal Reserve Issue and Redemption Division, said deposits to be made in advance of actual payments by your office.

"The Board of Governors is agreeable to the transfer of the employees of the Federal Reserve Issue and Redemption Division to your payroll and to the suggestion that the funds necessary to cover the expense of the operation of the division be deposited by the Board with the Treasury of the United States in advance of actual payments by your office. However, in order that the employees of the division may have some advance notice of the proposed transfer and that the procedure necessary properly to effectuate the change can be worked out in an orderly fashion in advance, the Board feels that it would be desirable to make the transfer effective at the close of business November 30, 1936, instead of November 16, as suggested in your letter. This change in the date of the proposed transfer has been discussed with representatives of your office who have indicated that there will be no objection to making the transfer effective at the close of business November 30. With this understanding, prompt steps will be taken to work out the necessary procedure to accomplish the transfer at that time along the lines discussed with Mr. McGrath on Saturday.

"The Board has heretofore had correspondence with you regarding the recommendation of your office that Mr. William John Rusch be appointed as Chief of the Federal Reserve Issue and Redemption Division and, in its letter of September 26, 1936, the Board extended Mr. Rusch's appointment as Chief of the division on a temporary basis to November 15, 1936. With the understanding that the transfer of the employees of the division to your payroll will become effective at the close of business November 30, 1936, the Board approves the extension of Mr. Rusch's appointment as Chief of the division until the close of business November 30, 1936."

Approved unanimously.

Letter dated November 14, 1936, to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

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"The Board of Governors has received advice that the 'Bank of Haines', Haines, Oregon, is planning to move to Baker, Oregon, and wishes to withdraw from membership in the Federal Reserve System, inasmuch as, although the capital will be increased to \$50,000, the amount required under State law for the establishment of a State bank in Baker, Oregon, it will be less than the amount required for admission to membership of a State bank located in that place, which has a population of approximately 8,000.

"It is understood that the bank desires to continue as an insured bank, and in accordance with the provisions of subsection (k) (2) of section 12B of the Federal Reserve Act, the Board of Governors hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Bank of Haines, Haines, Oregon, in connection with its application for continuation of insurance as a nonmember bank."

Approved unanimously.

Letter to Mr. H. S. Johnson, President, The Point Pleasant National Bank, Point Pleasant, West Virginia, reading as follows:

"There is inclosed for your information a copy of the stenographer's record of the hearing which you attended at the Board's offices on Tuesday, November 10, 1936, and copies of all the documents which have been submitted subsequently by the office of the Comptroller of the Currency in connection with the matter under consideration at such hearing. As shown by the inclosed copy of the stenographer's record, it was contemplated that you would communicate with the Board not later than twelve o'clock noon on Monday, November 16, 1936, if you desired to communicate further with the Board regarding this matter or to submit any further information in the matter. However, since there has been some unavoidable delay in furnishing you with copies of the additional documents submitted by the office of the Comptroller of the Currency and a copy of the stenographer's record of the hearing, you are advised that the time within which you may communicate further with the Board regarding this matter or submit further information in the matter is extended by the Board until twelve o'clock noon on Monday, November 23, 1936."

Approved unanimously.



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Letter dated November 14, 1936, to the Presidents of all Federal reserve banks, prepared in accordance with the action taken at the meeting of the Board on October 30, 1936, and reading as follows:

"As you probably know, the Revenue Act of 1936 provides that holding company affiliates shall be allowed a special credit for the purpose of the surtax on undistributed profits and on the income of corporations improperly accumulating surplus. Such credit is provided in section 26(d) of the Act which reads as follows:

'(d) Bank Affiliates.--In the case of a holding company affiliate (as defined in section 2 of the Banking Act of 1933), the amount of the earnings or profits which the Board of Governors of the Federal Reserve System certifies to the Commissioner has been devoted by such affiliate during the taxable year to the acquisition of readily marketable assets other than bank stock in compliance with section 5144 of the Revised Statutes. The aggregate of the credits allowable under this subsection for all taxable years shall not exceed the amount required to be devoted under such section 5144 to such purposes.'

"Inclosed herewith is a copy of the section of the regulations of the Commissioner of Internal Revenue which relates to such credit. Your attention is called to the fact that, according to the regulations, the credit is allowed only to holding company affiliates which hold general voting permits at the end of the taxable year. In view of this fact, it is possible that certain holding company affiliates which have not heretofore received general voting permits will desire to do so prior to the end of the calendar year, which is understood to be the taxable year for most, if not all, such organizations. If such is the case, it is essential that steps be taken at once to review the applications of such holding company affiliates and to obtain and analyze supplemental information, in order that the Board will be in a position to determine whether it may properly grant such permits.

"Accordingly, it is suggested that you bring the pertinent provisions of the Revenue Act of 1936 and the Commissioner's regulations to the attention of the holding company affiliates in your district which have voting permit applications pending, and ascertain whether they desire to have immediate consideration given to the granting of general voting permits. In any case in which a general voting permit is desired, please advise the

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"Board at once, furnishing to it as promptly as possible such information as is necessary to bring the application up to date, together with your recommendations.

"If there are any holding company affiliates in your district which do not have voting permit applications pending and have not received general voting permits or been determined not to be engaged as a business in holding the stock of, or managing or controlling, banks, it is suggested that this matter also be brought to their attention in order that they may file applications for voting permits immediately if they desire to have them considered before the end of the year.

"For the information of the holding company affiliates which hold general voting permits, it may be desirable to direct their attention also to the pertinent provisions of the Revenue Act of 1936 and the Commissioner's regulations."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Maurice

Secretary.

Approved:

W. C. ...

Chairman.