

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 2, 1936, at 3:15 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 December 1, 1936, were approved unanimously.

Telegrams to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, 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. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of November 10, 1936, and, in accordance with the recommendation contained therein, the Board approves the appointment of Mr. C. L. Childers as assistant examiner for the Federal Reserve Bank of Dallas, such appointment to be effective January 1, 1937.

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"As regards the salary adjustments of Examiners Hallman and Betts referred to in your letter, it will be appreciated if you will advise the Board's Division of Examination when a definite determination of the matter has been made."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"As you know, paragraph (d) of section 5155 of the Revised Statutes of the United States provides, in the case of the establishment of branches by national banks, that:

"(d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated."

"Under the provisions of section 9 of the Federal Reserve Act the Board is authorized to approve the establishment and operation by a State member bank of branches located outside of the city in which the State member bank is situated on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks. Section 9 also provides that the approval of the Board must be obtained before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated.

"With regard to the computation of the aggregate capital required for the establishment of branches by national banks, the Comptroller of the Currency has heretofore taken the position that only one unit of capital for the head office and all branches located in the same city as the head office is required under the provision of law quoted above, and in acting on applications of State member banks for the establishment of branches or the retention of branches established after February 25, 1927, the Board has taken the position that the aggregate capital required may be computed in a like manner.

"The Board has recently been advised that the Comptroller of the Currency, in acting on applications of national banks for permission to establish branches, requires only one unit of capital for each place in which a branch of the applicant

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"bank is located other than the city of the head office, even though more than one branch is located in such other place. A copy of a letter containing advice of the Comptroller's position in this connection is attached hereto.

"In view of the provisions of section 9 of the Federal Reserve Act above referred to and, since it is the obvious intent of the law that State member banks and national banks shall be on a basis of substantial equality with regard to the establishment of branches, you are advised that in determining the aggregate amount of capital required for the establishment of out-of-town branches by State member banks or the retention by such banks of out-of-town branches established after February 25, 1927, the Board will apply the construction of the law which has been adopted by the Comptroller of the Currency and which is described in the attached letter."

Approved unanimously.

Letter to the Central National Bank and Trust Company of Battle Creek, Battle Creek, Michigan, reading as follows:

"This refers to the resolution adopted on June 22, 1936, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise the trust powers which have heretofore been granted to it by the Federal Reserve Board, now known as the Board of Governors of the Federal Reserve System.

"The Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities

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"which it may have deposited with the States or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously, together with a letter to Mr. J. F. T. O'Connor, Comptroller of the Currency, reading as follows:

"This refers to Mr. Lyons' letter of October 19, 1936, inclosing a special report received by your office from National Bank Examiner G. R. Wilson, under date of October 10, 1936, in which it is indicated that the Central National Bank and Trust Company of Battle Creek, Battle Creek, Michigan, has been discharged or otherwise properly relieved, in accordance with law of all of its duties as fiduciary.

"It is noted that, while the words 'and Trust Company' have not been eliminated from the title of the bank in question in accordance with the requirement contained in section 16(b) of the Board's Regulation F, Mr. Lyons recommends in his letter that this requirement be waived by the Board in the present case in view of the fact that the bank is in process of liquidation.

"In the circumstances and for the reasons stated in Mr. Lyons' letter, the Board will not require the elimination of the words 'and Trust Company' from the title of the Central National Bank and Trust Company of Battle Creek as a prerequisite to the issuance of a certificate to that bank terminating its right to exercise trust powers.

"Accordingly, the Board has today issued to the Central National Bank and Trust Company of Battle Creek a certificate to the effect that that bank is no longer authorized to exercise trust powers; and a copy of this certificate, together with a copy of the Board's letter to the bank, is inclosed herewith."

In connection with the above matter, the following letter to Vice President Young of the Federal Reserve Bank of Chicago was also approved unanimously:

"This refers further to your letter of June 25, 1936, and the Board's letter of July 3, 1936, with respect to the desire of the Central National Bank and Trust Company of Battle Creek, Battle Creek, Michigan, to surrender its right to exercise trust powers.

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"It is understood from advice received from the office of the Comptroller of the Currency that the Central National Bank and Trust Company of Battle Creek has been discharged or otherwise properly relieved, in accordance with the law, of all of its duties as fiduciary. However, it is understood also that the words 'and Trust Company' have not been eliminated from the title of that bank. As you know, the Board has adopted the policy of not issuing a certificate to a national bank terminating its right to exercise trust powers until these words have been eliminated from its title; and this requirement is included in section 16(b) of the Board's Regulation F.

"It has been recommended by the office of the Comptroller of the Currency that this requirement be waived by the Board in the present case in view of the fact that the bank in question is in the process of liquidation and is, therefore, restricted to the exercise of only such powers as are essential to the winding up of its affairs. The office of the Comptroller has advised that any reorganization of the bank which might result in a resumption of operations would be subject to the approval of that office and that no such approval would be given to a national bank, the title of which contains the words 'and Trust Company' when, in fact, it has no permit to exercise trust powers. The Comptroller's office has pointed out also that any change in the title of a national bank, pursuant to the provisions of section 30 of title 12 of the United States Code would necessitate action by the stockholders and that such action would not only result in delay in completing the ultimate liquidation of the bank but would also be likely to produce some inconvenience and misunderstanding.

"In the circumstances, the Board has waived the requirement of section 16(b) of its Regulation F that the words 'and Trust Company' be eliminated from the title of the Central National Bank and Trust Company of Battle Creek. Accordingly, the Board has today issued to the Central National Bank and Trust Company of Battle Creek a certificate to the effect that that bank is no longer authorized to exercise trust powers; and a copy of this certificate, together with a copy of the Board's letter to the bank, is inclosed herewith."

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

"This refers to your letter of November 7, 1936, with which you forwarded the agreement of Banca Commerciale Italiana, dated November 5, 1936 on F.R.B. Form T-2, and accompanying documents.

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"The second paragraph of section 11(c) of Regulation T reads as follows:

"Duplicate originals of F.R.B. Form T-2, when properly executed, shall be delivered to the Federal Reserve agent at the Federal Reserve Bank of New York or the Federal Reserve agent at the Federal Reserve Bank of San Francisco and delivery to either such Federal Reserve agent shall constitute filing with the Board of Governors of the Federal Reserve System. The Federal Reserve agent to whom such delivery is made shall thereupon send a certificate evidencing such filing to the qualifying bank and to each branch or agency of the qualifying bank which is listed in F.R.B. Form T-2 and shall at the same time send appropriate notice of such filing to the Federal Reserve agent at the Federal bank in each Federal Reserve district in which is situated one or more of such branches or agencies."

"In connection with these provisions your letter states:

"In view of the provisions of this paragraph it would seem that, notwithstanding the transfer to this bank effective October 30, 1936 of the nonstatutory duties of the Federal Reserve Agent at this bank, the duplicate originals of agreements on F.R.B. Form T-2 should be delivered to the Federal Reserve Agent (or Assistant Federal Reserve Agent when, as is now the case at this bank, the office of the Federal Reserve Agent is vacant) rather than delivered to the bank itself; and that the Federal Reserve Agent (or Assistant Federal Reserve Agent when the office of the Federal Reserve Agent is vacant) is the proper person to execute and send the certificates and notices of the filing of such agreements, in compliance with the terms of the above quoted paragraph. Mr. J. V. D. Stryker, Assistant Federal Reserve Agent at this bank, has accordingly executed a certificate on F.R.B. Form T-3 (revised by substitution of "Board of Governors of the Federal Reserve System" for "Federal Reserve Board") evidencing the filing with the Board of the agreement of Banca Commerciale Italiana, dated November 5, 1936, on F.R.B. Form T-2, and has today sent duplicate originals of such certificate to the principal place of business of Banca Commerciale Italiana in Milan, Italy, and to its agency in New York City.

"We trust that the procedure followed as outlined above meets with the Board's approval."

"The Board agrees with your view that, notwithstanding the transfer of the nonstatutory duties of the Federal Reserve Agent to the Federal Reserve Bank, the present provisions of section 11(c) of Regulation T contemplate that the Federal Reserve Agent (or Assistant Federal Reserve Agent if the office of Federal Reserve Agent is vacant) will continue to execute

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"and send the certificates and notices of the filing of F.R.B. Form T-2 agreements; and, therefore, pending any change in these provisions, it approves this procedure as followed in connection with the agreement of Banca Commerciale Italiana."

Approved unanimously.

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

"Pursuant to the action taken at the meeting of the Board of Governors of the Federal Reserve System on November 25, 1936, at which you were present, this letter is addressed to you for the purpose of advising that, in the light of the discussions at the meeting of the Board with respect to the Helena Branch, the Board feels that a decision on the action taken at the joint meeting of the boards of directors of the Federal Reserve Bank of Minneapolis and its Helena Branch on October 17, 1936, in connection with the erection of a new branch building at Helena, should be deferred for a period of not to exceed six months to allow sufficient time for the completion of the study now being made by the Board of the general question of the continuance of branches of Federal reserve banks and their functions. As soon as the report is available and the Board has had an opportunity to consider it, the question of the erection of a new building to house the activities of the Helena Branch will be given further consideration.

"However, as you were advised at the meeting, the Board suggests that steps be taken by the Federal Reserve Bank of Minneapolis as promptly as possible to make such repairs to the present building as are necessary for the safety of the employees of the Branch."

Approved unanimously.

Letter to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of November 23, 1936, submitting additional facts and comments in connection with the commission received by Mr. Alex Miltenberger, President of the Tower Grove Bank and Trust Company, St. Louis, Missouri, which may possibly involve a violation of section 22(c) of the Federal Reserve Act.

"While it is realized that it is at least doubtful whether a violation of the provisions of section 22(c) of the Federal Reserve Act is involved, nevertheless, it is felt that there are questions both of fact and of law in the matter which should have the consideration of the Department of Justice and the

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"United States District Attorney and that the Board should not undertake to make a determination of these questions in this case. As you know, this is in accordance with the usual policy of the Board in cases of this kind. Accordingly, it is requested that you report the matter to the local United States District Attorney and forward three copies of your report to the Board for transmission to the Attorney General."

Approved unanimously.

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

"In response to your letter of November 16, 1936, you are advised that the Board approves payment by the Federal Reserve Bank of New York to Pitney, Hardin & Skinner, Esqs., of the sum of \$1500. for legal services and \$54.31 for expenses incurred in connection with the indebtedness of Passaic Print Works."

Approved unanimously.

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

"Receipt is acknowledged of your letter of November 12, 1936, advising the Board of the fact that your bank has not complied with the Board's letters of February 15, 1926 (X-4531) and April 15, 1936 (X-9548) in connection with the retention of Judge Cole of Atlantic City as associate counsel in the suit of the Federal Reserve Bank of Philadelphia against Ocean City, New Jersey, on a Tax Anticipation Note of \$250,000.

"You advise that to date the Federal Reserve Bank of Philadelphia has paid Judge Cole \$3625. on account of his services and that this amount is considered by your counsel and by you as being entirely reasonable and that before any future payments are made to Judge Cole the matter will be referred to the Board for review and approval.

"From the information in the Board's file with respect to the litigation in question and from your statements it would appear that the payments already made are reasonable and the Board approves the action of your bank in paying the same with the understanding that future payments will be made only in accordance with the letters of the Board to which you have referred."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.