

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, December 7, 1936, at 11:00 a.m.

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

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 4, 1936, were approved unanimously.

Telegrams to Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. McKinney, President of the Federal Reserve Bank of Dallas, 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 dated December 5, 1936, to Mr. Rounds, Chairman, Retirement System of the Federal Reserve Banks, Federal Reserve Bank of New York, reading as follows:

"In accordance with the arrangement outlined in the Board's letter of November 25, 1936, X-9748, a copy of which is attached, all employees of the Federal Reserve Issue and Redemption Division of the office of the Comptroller of the Currency, heretofore carried on the payroll of the Board of Governors, have been transferred to the payroll of the Comptroller of the Currency, effective December 1, 1936.

"Twenty-two employees of the Federal Reserve Issue and Redemption Division have been members of the retirement system of the Federal reserve banks and such membership is,

12/7/36

-2-

"of course, terminated by their transfer to the payroll of the Comptroller of the Currency. There are attached applications from eighteen of these members for return of their contributions with interest and applications from the four remaining members for retirement on a retirement allowance deferred to age 65. The applications of these four employees, viz., Theresa Barrow, Belle Howell Bohn, Edna S. Mead, and Fannie P. Meade, meet with the approval of the Board of Governors, with the understanding that retirement allowance payments will not begin in any case until after the member's employment by the Government has terminated."

Approved unanimously.

Telegram to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter December 2 re election Class A director. The following procedure is suggested for the consideration of the Deputy Chairman. Prior to the time of opening and counting the ballots consideration should be given to each voting member bank which there is reason to believe from information at hand may be affiliated with a holding company affiliate and which has not been designated to vote by such holding company affiliate. With the assistance of counsel determination should be made by Deputy Chairman for the purposes of this election, as to whether, on the basis of all available information which is believed to be reliable, each of such banks is affiliated with a holding company affiliate. Such determination should be made in so far as practicable as of the date of the certificate of the voting officer which appears on the face of the certificate envelope. In cases where it may be determined that a bank is affiliated with a holding company affiliate notice should be given, if possible, to such bank and its holding company affiliate with the advice that the holding company affiliate if it desires may designate one of its subsidiary member banks for voting purposes by letter or telegram received by the Deputy Chairman before the time set for the opening of the ballots. When the ballots in the sealed certificate envelopes are removed from the ballot box the ballots of the banks determined in the manner above indicated to be affiliated with holding company affiliates, excepting any bank which may have been validly designated to vote by its holding company affiliate, should be withdrawn from and not counted in the election without, however, removing the ballots of such banks from the sealed certificate envelopes. While the procedure suggested above may not be entirely satisfactory, it is the most practicable

12/7/36

-3-

"which occurs to us in the circumstances which have developed as outlined in your letter and also appears to be not inconsistent with the law. It is realized that it may be difficult to make a determination as to whether a bank is affiliated with a holding company affiliate in certain cases, but it is believed nevertheless that a determination of this question for the purposes of the election must be made before opening and counting the ballots. Wherever possible, information bearing on the determination of this question should be obtained both from the member bank affected and its supposed holding company affiliate."

Approved unanimously.

Letter dated December 5, 1936, to Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, prepared in accordance with the action taken at the meeting of the Board on December 1, 1936, and reading as follows:

"Reference is made to your letter of November 13, 1936, advising that the executive committee of your bank on that date had appointed Chairman Thomas to serve as an alternate member of the Federal Advisory Council at the meeting of the Council in Washington on November 16 and 17, 1936, in place of Mr. Kemper, who, it is understood, was unable to attend the meeting.

"It would appear that because of the emergency of the situation the committee overlooked the Board's letter of January 8, 1916, to the Federal reserve banks, in which it was stated that it was the sense of the Board that officers of Federal reserve banks should not serve as members of the Federal Advisory Council. A copy of the Board's letter is attached hereto with the thought that your directors may wish to have it in mind should a similar situation arise in the future.

"In connection with the appointment of alternate members of the Council attention is called to the Board's letter of March 23, 1925, X-4296, a copy of which is inclosed, and in which it was stated that it is not believed there is any way in which a Federal reserve bank may legally appoint an alternate member to serve on the Council in the absence of the regularly appointed member."

Approved unanimously.

12/7/36

-4-

Letter to the board of directors of "The Green Island Bank", Green Island, New York, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

- "4. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$3,082, as shown in the report of examination of such bank as of October 13, 1936, made by an examiner for the Federal Reserve Bank of New York."

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Green Island Bank', Green Island, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the inclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also inclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"It is understood that the bank has eleven directors, and in the report of examination made by your examiner it is stated that there are no vacancies in its directorate. It has been noted, however, that, in accordance with the provisions of section 127 of the Banking Law of New York, the stockholders of the bank, at their annual meeting held in January, 1934, adopted a resolution providing that 'the number of Directors of The Green Island Bank be thirteen'. In the circumstances, it appears that subsequent action has been taken reducing the number of the bank's directors to eleven, and it will be appreciated if you will furnish the Board with a copy of the document evidencing such action, together with a copy of any approval which may have been given thereto by the State supervisory authorities, in order that the Board's records may be complete."

12/7/36

-5-

Telegram to the Presidents of all Federal reserve banks, prepared in accordance with the action taken at the meeting of the Board on December 4, 1936, and reading as follows:

"Trans. No. 2433. This refers to Board's letter of December 3, 1935, addressed to all Federal Reserve agents (X-9385) and standard form of agreement attached thereto. As you know, Board at that time adopted policy of requiring that, as condition to issuance of any general voting permit, holding company affiliate execute an agreement in such form, with such modifications or added provisions as might be deemed appropriate in particular case.

"After careful reconsideration of its policy, Board has amended standard form of agreement by deleting paragraphs numbered 4 and 5 thereof and by deleting word 'State' in paragraph numbered 2 thereof, thus making such paragraph applicable to subsidiary national banks as well as subsidiary State banks. Hereafter, with such special conditions as may be prescribed in light of facts of particular case, Board will require that, as a condition to issuance of any general voting permit, holding company affiliate execute revised form of agreement.

"It has been Board's practice not to prescribe paragraph numbered 1 in the standard agreement when the holding company affiliate is a national bank, but consideration will be given later to question whether such paragraph should hereafter be prescribed in such cases.

"With respect to cases in which holding company affiliates have executed agreements in standard form heretofore required, appropriate action will be taken looking toward amendment of such agreements in accordance with the principles of the revision set forth above and you will be advised in detail at an early date.

"As suggested in Board's letter of November 14, 1936 (X-9737), it may be important to some holding company affiliates to obtain general voting permits before end of this year in view of the provisions of section 26(d) of Revenue Act of 1936 and regulations of Commissioner of Internal Revenue. Accordingly, advice concerning revision of required agreement should be furnished at once to each holding company affiliate in your district to which Board heretofore authorized issuance of general voting permit subject to execution of standard form of agreement but which did not execute required agreement and receive general permit. Please also advise such holding company affiliates that if they now desire Board to give further consideration to issuance of voting permits they must so advise you and furnish to you promptly such current information as you may deem necessary for consideration of such cases.

12/7/36

-6-

"It is also essential to ascertain at once whether any other holding company affiliates desire to have consideration given to granting of general voting permits before end of this year and to obtain such current information as you may deem necessary. If during this month any new application for a voting permit is filed or any holding company affiliate which has an application pending, regardless of whether Board has previously authorized issuance of general voting permit pursuant to such application, requests action with respect to granting of general voting permit, please advise Board by telegram immediately and forward to Board immediately copy of such application or request, with accompanying data, furnishing as soon thereafter as possible your recommendations and recommendations of executive committee of your bank. In any such case, please determine, if possible and without delaying consideration of matter, whether general voting permit is desired for purpose of obtaining tax credit under section 26(d) of Revenue Act of 1936 and advise Board.

"In connection with consideration of issuance of general voting permits, certain information will be desired in order to facilitate handling of cases by Board's staff for presentation to Board. Board's Division of Examinations will furnish to you promptly a statement as to general types of current information which will be desired.

"It may be desirable in particular cases to advise holding company affiliates concerning Board's interpretations of standard agreement set out in attachments to Board's letters X-9473 and X-9591. It would seem desirable, in any case, to advise holding company affiliate definitely in writing that, when once complied with, paragraphs numbered 1 and 2 will be no longer effective."

Approved unanimously.

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

"This refers to your letter of December 1, 1936, inclosing copies of a news item regarding an apparent violation of the provisions of section 5208 of the Revised Statutes of the United States by Mr. Clifford W. Ludlow, formerly manager of the Park Row Branch of the Manufacturers Trust Company, New York, New York.

"Since, as stated in your letter, it appears that Mr. Ludlow has already been indicted by a Federal Grand Jury for the alleged violation and since you have no official informa-

12/7/36

-7-

"tion regarding the case in your files, it will not be necessary for you to report the matter to the local United States Attorney."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Moriel  
Secretary.

Approved:

W. S. ...  
Chairman.