

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 9, 1936, at 11:00 a.m.

PRESENT: Mr. Eccles, 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:

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Letter to the board of directors of the "Pioneer Bank", North Branch, Michigan, 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 Chicago:

- "4. Such bank shall make adequate provision for depreciation in its banking house."

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

12/9/36

-2-

"The Board of Governors of the Federal Reserve System approves the application of the 'Pioneer Bank', North Branch, Michigan, 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 Commissioner of the Banking Department of the State of Michigan for his information.

"The report of examination of the bank as of November 2, 1936, indicated that the bank was carrying a balance in excess of 10% of its capital with the Commonwealth Commercial State Bank, Detroit, Michigan, (a nonmember bank). In accordance with the suggestion contained in the memorandum submitted by your bank in connection with the application for membership, it is suggested that the bank's particular attention be called to the provisions of Section 19 of the Federal Reserve Act with respect to the limitations prescribed on balances which a member bank may keep on deposit with a non-member bank.

"The securities investment schedule in the report shows that certain securities are carried by the bank in excess of their call prices; the aggregate excess carrying value is, however, relatively small. The regulation of the Comptroller of the Currency issued pursuant to Section 5136 of the Revised Statutes provides that the carrying value of an investment security shall at no intervening date be in excess of the amount at which the obligor may legally redeem such security. It is suggested, therefore, that you call this matter to the attention of the management with the request that prior to admission to membership the necessary adjustments be made in the carrying value of such securities.

"The condition recommended by your Committee requiring that, before making final settlement or purchasing the equity in the banking premises held by the Depositors' Corporation, the bank submit the matter to the Reserve Bank for consideration has not been prescribed, since it is not the practice of the Board to prescribe such a condition except in special cases where circumstances indicated the desirability of so doing. It is understood from Mr. Young that such circumstances do not exist in this case and that the elimination of the condition will be satisfactory to your bank.

"It is understood that the copy of the articles of re-organization, the certificate of authority to commence business, and the certificate of approval of extension of corporate existence forwarded to the Board with the bank's application, constitute complete copies of all such documents."

12/9/36

-3-

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

"Retel December 8 'The Buckeye Valley Bank', Buckeye, Arizona. A reduction in surplus such as you describe which does not involve distribution of assets but merely provides for the reduction in the carrying value of assets would not be a violation of condition numbered 1 which relates to transfer of part of net earnings to surplus account."

Approved unanimously.

Letter to Mr. Don E. Warrick, Secretary, The Indiana Bankers Association, Indianapolis, Indiana, reading as follows:

"This refers to your letter of December 4, 1936, addressed to Mr. Ransom, with which you inclosed a copy of a letter which you have written to the Commissioner of Internal Revenue requesting an opinion from him as to whether national banks and State member banks of the Federal Reserve System may subject themselves to the provisions of the Social Security Act by voluntary election. Your courtesy in forwarding a copy of your request of the Commissioner of Internal Revenue in this connection is greatly appreciated.

"It is noted that you suggest that the Board of Governors might wish to consider ruling upon the question which you have raised. The administration and interpretation of the Social Security Act are matters which fall within the jurisdiction of the Social Security Board and the Bureau of Internal Revenue and not that of the Board of Governors. You will appreciate, therefore, that it would not be appropriate in the circumstances for the Board to undertake to make a ruling with regard to the applicability of the Social Security Act to member banks. In this connection, as you know, the rulings heretofore made with respect to the effect of the Social Security Act upon banks have been made by the Bureau of Internal Revenue, and the Board has not attempted to express any opinion on the question.

"As you have heretofore been advised, your letter will be called to Mr. Ransom's attention upon his return."

Approved unanimously.

12/9/56

Thereupon the meeting adjourned.

Chester Morill
Secretary.

Approved:

W. S. Lewis
Chairman.