

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 12, 1936, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
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:

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

"I have brought to the attention of the Board of Governors your letter of December 3 tendering your resignation as a Class 'C' director of the Federal Reserve Bank of Atlanta, effective as of the close of December 31, 1936, when your designation for the current year as chairman of the board of directors of the bank and as Federal reserve agent expires.

"The Board has accepted your resignation with sincere regret and has asked me to express to you its appreciation of the valuable service which you have rendered to the Federal Reserve System and of the sacrifices of your personal interests which you have made in order to be of assistance. The Board will welcome your continued interest in the welfare of the system and feels sure of your cooperation and support."

Approved unanimously, having been approved previously by Mr. Ransom.

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

"Please accept my sincere apology for not having acknowledged sooner the receipt of your letter of November 21, 1936, in regard to your retirement as Chairman

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"and Federal Reserve Agent at Dallas. I am bringing your letter to the attention of the other members of the Board, who, I am sure, will take pleasure in joining with me before the end of the year in an expression of the Board's appreciation of the valuable and helpful service that you have rendered in your capacity as Chairman and Federal Reserve Agent.

"I am pleased to note the feeling evidenced by the directors, officers and employees of the Federal Reserve Bank of Dallas and its branches regarding your services, which must be a source of considerable gratification to you."

Approved unanimously.

Letter to the board of directors of the "Bay City Bank", Bay City, Michigan, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, 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 and furniture and fixtures.
- "5. Such bank shall establish and thereafter maintain during the life of the depositors' agreement a 'trustees profit account' which shall be separate and apart from the undivided profits account of the bank and which shall clearly reflect at all times the net amount of earnings due to the trustees for the waiving depositors, and such 'trustees profit account' shall not be included with the undivided profits account of the bank in any of its reports of condition or published statements."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Bay City Bank', Bay City, Michigan,

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"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 for the State of Michigan for his information.

"It appears from the report of examination made by your examiners that the bank has been charging to undivided profits premium on bonds purchased, the total of such charges for the period January 1, 1935 to October 26, 1936, date of the examination, amounting to approximately \$15,200. Unless the agreement with the waiving depositors contemplates that not only the net earnings of the bank for the five-year period following reorganization accrue to the benefit of the waiving depositors, but also appreciation in the security account at the end of the five-year period, it would appear that the bank may have improperly charged the premiums to the undivided profits account, thereby reducing the earnings payable to the waiving depositors. It is assumed that you have given proper consideration to this matter and that your bank and the State Banking authorities have the situation in mind and will see that final adjustments with the depositors are properly made.

"It is noted that article six of the bank's original articles of association specifically provides that the 'Board of Directors shall consist of five members', whereas the report of examination made by your examiner shows that the bank now has eight directors. It is possible, therefore, that the articles have been amended so as to provide for this increase in directors, and, if so, it will be appreciated if you will obtain and forward to the Board a copy of the amendment.

"It is noted further that the Michigan State Banking Department has requested the bank to amend its articles of incorporation at the next annual meeting of its stockholders, in order to correct the situation resulting from amendments to the articles made in January, 1912, and January, 1928, wherein, through error, article four of the original articles, instead of article three relating to capital stock, was amended. In these circumstances, it is suggested that, if you and your counsel have not already done so, consideration be given to the desirability of calling the attention of the bank and the State Banking Department to the discrepancy which, as pointed out by your counsel in his certificate on Form 83E, appears in the papers executed in connection with the latest extension of the corporate existence of the bank."

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Letter to the board of directors of the "Citizens State Bank", Wausau, Wisconsin, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation H, and the following special conditions, 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:

- "7. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "8. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$35,303.53, as shown in the report of examination of such bank as of November 16, 1936, made by an examiner for the Federal Reserve Bank of Chicago."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Citizens State Bank', Wausau, Wisconsin, 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 Banking for the State of Wisconsin for his information.

"It has been noted that, if the bank is admitted to membership, your bank will advise the applicant that the savings accounts which do not conform to the provisions of Regulation Q should be eliminated, that the bonds carried in excess of call price should be properly adjusted, and that the provisions of Regulation Q regarding the payment of time deposits before maturity should be observed.

"It appears from the report of examination and the information submitted with the application that the volume of trust business handled by the bank is small; that a trust committee had not been appointed; that not much interest is displayed in

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"the trust business by the management; and that the books and records are in general regarded as inadequate by your examiner. The memorandum submitted by your bank in connection with the application, however, states that the department appears to compare favorably with the average found in banks of similar size. The advisability of the continuation of the department, especially in view of the fact that there is a trust company located in the city which does no banking business, has been questioned by the examiner who examined the department. It is suggested, therefore, that the directors of the bank be asked to give consideration to the advisability of continuing the trust department. In the event that they desire to continue the operations of the department, it will be expected that appropriate steps will be taken to insure that proper attention is given to the fiduciary activities of the bank and it is assumed that your office will see that this is done."

Letter to Mr. Paulger, Chief of the Division of Examinations, reading as follows:

"Paragraph number 7 of section 5240 of the United States Revised Statutes (section 21 of the Federal Reserve Act), as amended, provides that the Board of Governors of the Federal Reserve System, at least once each year, shall order an examination of each Federal reserve bank.

"In accordance with this requirement of the law, the Board orders that at least one examination of each of the twelve Federal reserve banks be made during the year 1937, and the Board authorizes and directs you to institute and conduct such examinations at such time or times as may seem advisable in your judgment."

Approved unanimously.

Letter to Mr. W. T. Harding, Cashier, The Citizens National Bank, Emporia, Virginia, reading as follows:

"Receipt is acknowledged of your letter of December 9, 1936, in which you ask whether the Board expects to reduce interest rates on or about the first of next year.

"The Board does not have under consideration at this time the question of changing the maximum rate of interest which member banks may pay on savings and time deposits under the provisions of Regulation Q. However, the Board has

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"read your letter with full appreciation of the difficulties pointed out therein, and will bear them in mind if and when consideration is given to the matter."

Approved unanimously.

Thereupon the meeting adjourned.

Chesley H. Jorrie
Secretary.

Approved:

W. H. Stiles
Chairman.