

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 31, 1936, at 11:45 a. m.

PRESENT: 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
Mr. Thurston, Special Assistant to the Chairman
Mr. Paulger, Chief of the Division of Examinations
Mr. Vest, Assistant General Counsel
Mr. Wingfield, Assistant General Counsel
Mr. Cagle, Assistant Chief of the Division of Examinations
Mr. Baumann, Assistant Counsel

Mr. McKee presented a memorandum dated December 28, 1936, from the Division of Examinations recommending, for the reasons stated therein, and subject to the conditions stated, that limited permits be issued to the Republic National Bank and Trust Company and to the Republic National Company, both of Dallas, Texas, to vote the stock owned or controlled by them in the First National Bank in Honey Grove, Honey Grove, Texas, for the purpose of electing directors and transacting routine matters at the 1937 annual meeting of the board of directors of the bank.

Mr. McKee referred to the efforts which had been made to correct the unsatisfactory conditions existing in the Republic

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National Company and particularly to the open account due by the company to Mr. F. F. Florence, Treasurer of the City of Dallas, and raised for discussion the question whether under the provisions of section 9 of the Federal Reserve Act and section 5144 of the Revised Statutes Congress expected the Board to issue general voting permits to holding company affiliates and thereafter exercise such powers as it has to bring about desired corrections, or whether the Board was expected to set up requirements that should be met as a condition precedent to issuing general voting permits. In connection with the question presented by Mr. McKee it was pointed out that the Board could not compel a holding company affiliate to accept a voting permit and the opinion was expressed that had Congress intended that the Board follow the course first referred to by Mr. McKee it would have given the Board additional powers to require the correction of criticized matters.

At the conclusion of the discussion, unanimous approval was given to telegrams to the Federal Reserve Agent at Dallas authorizing him, subject to the condition stated in the telegrams, to issue limited voting permits to the Republic National Bank and Trust Company and the Republic National Company, both of Dallas, Texas, entitling such organizations to vote the stock which they own or control of the "First National Bank in Honey Grove", Honey Grove, Texas, to elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1937, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank. The condition stated in the telegrams provided that, prior to the issuance of the limited voting permits authorized

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therein, the Federal Reserve Agent shall receive advice from the applicants, or other information satisfactory to him, showing that the applicants and their subsidiary banks have complied, in so far as in the agent's judgment is practicable, with the requirements or suggestions of the appropriate supervisory authorities based upon reports of examinations of such banks made pursuant to authority conferred by law. The telegram also stated that in view of the nature of the operations and obligations of the Republic National Company and its intention to terminate its holding company affiliate status in 1937 as expressed in President Florence's letter of December 18, 1936, the Board was unwilling to grant general voting permits to the applicants at this time.

Mr. McKee also called attention to a memorandum from the Division of Examinations referring to the action of the Board on December 9, 1935, when it approved the issuance of a general voting permit to the Marine Bancorporation, Seattle, Washington, (subject to the execution of the standard form of agreement) authorizing the corporation to vote the stock owned or controlled by it of the First National Bank of Seattle, Seattle, Washington, the First National Bank of Cosmopolis, Cosmopolis, Washington, and the First National Bank of Mount Vernon, Mount Vernon, Washington, and stated that the applicant had executed a standard form of agreement as recently revised by the Board except that paragraphs numbered 1 and 2 had been eliminated from the agreement for the reason that the holding company affiliate was of the opinion that the conditions had been complied with.

Mr. McKee stated that the information available to the Division of Examinations indicated that conditions numbered 1 and 2 in

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the standard form of agreement had been complied with and that the question before the Board for consideration was whether in such circumstances the Board would adhere to its policy of requiring all holding company affiliates to execute the standard form of agreement as approved by the Board as a condition precedent to the issuance of a general voting permit, or whether, because of the apparent compliance with conditions numbered 1 and 2, the Board would be willing to accept the agreement as executed by the Marine Bancorporation. Mr. McKee said that he was inclined to the opinion that the latter course might establish a precedent which would be embarrassing to the Board in connection with the requirement of other holding company affiliates that they execute the standard form of agreement and that he felt the matter should be carefully considered by the Board. Mr. McKee added that when Mr. Andrew Price, President of the Marine Bancorporation, was in Washington recently he had been advised that the Board had adopted the policy of requiring the execution of the standard form of agreement as a condition precedent to the issuance of general voting permits.

At the conclusion of the discussion the Secretary was requested to advise the Federal Reserve Agent at San Francisco that the Board would issue a general voting permit to the Marine Bancorporation only after execution by it of the standard form of agreement except that, as in other cases, paragraph lettered D might be omitted if it was objectionable to the applicant.

In taking this action it was understood that Mr. McKee would talk with Mr. Andrew Price on the telephone and explain to him the reasons for the

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Board's decision. Mr. McKee reported that he subsequently talked with Mr. Price, who consented to execute the standard form of agreement, and thereupon a telegram was sent to the Federal Reserve Agent at San Francisco, stating that, subject to the condition set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States to the "Marine Bancorporation", Seattle, Washington, entitling such organization to vote the stock which it owns or controls of "The National Bank of Commerce of Seattle", Seattle, Washington; "The First National Bank of Cosmopolis", Cosmopolis, Washington; and "The First National Bank of Mount Vernon", Mount Vernon, Washington, at all meetings of shareholders of such banks. The condition contained in the telegram upon which the permit was authorized was as follows:

"Prior to the issuance of the general voting permit authorized herein, applicant shall execute and deliver to you, or to the Seattle Branch of the Federal Reserve Bank of San Francisco, an agreement, in duplicate, in form accompanying Board's letter X-9385, except that paragraphs numbered 4 and 5 shall be omitted and remaining numbered paragraphs appropriately renumbered, that word 'State' shall be omitted from paragraph numbered 2, and that paragraph lettered (D) may be omitted if it is objectionable to applicant."

The telegram also stated that it was desired that the Federal Reserve Agent at San Francisco get in touch immediately with the Seattle Branch, and that such general voting permit be executed and forwarded directly to the Marine Bancorporation today if possible; that Mr. Andrew Price, President, Marine Bancorporation, had been advised by telephone concerning the Board's action and it was understood that he would execute the required agreement and deliver it to the Seattle Branch at once.

Telegram to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Board approves reappointment of Charles F. Gettemy as Assistant Federal Reserve Agent for period ending January 31, 1937; and appointment of Dana D. Sawyer and Clifford E. Morrissey as Alternate Assistant Federal Reserve Agents at your bank. It will be necessary for Messrs. Sawyer and Morrissey to execute new oaths of office and surety bonds each in the amount of \$50,000 as Alternate Assistant Federal Reserve Agents, and they

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"should not enter upon their duties until you have received advice of Board's approval of bonds. Before bonds are forwarded to Board for approval they should be examined by your counsel to determine whether their execution complies fully with rules printed on reverse side of form of bond 182."

Approved unanimously.

Telegram to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Your letter December 30. Board approves reappointment of Arthur E. Post as Assistant Federal Reserve Agent, and appointment of J. Frank Rehfluss as Alternate Assistant Federal Reserve Agent at your bank. It will be necessary for Mr. Rehfluss to execute new oath of office and surety bond in the amount of \$50,000 as Alternate Assistant Federal Reserve Agent, and he should not enter upon his duties until you have received advice of Board's approval of bond. Before bond is forwarded to Board for approval it should be examined by your counsel to determine whether its execution complies fully with rules printed on reverse side of form of bond 182. You will be advised later with respect to appointments of Mr. Fenner and Miss Reid as Acting Assistant Agents."

Approved unanimously.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Retel December 30. Board approves reappointment of Norman R. Matter as Assistant Federal Reserve Agent and of Lester J. Henk as Alternate to Assistant Federal Reserve Agent at your bank."

Approved unanimously.

Telegram to Mr. Geery, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Retel December 30. Board approves reappointment of H. G. McConnell as Assistant Federal Reserve Agent, and of John Carlander and H. C. Timberlake as Alternate Acting Assistant Federal Reserve Agents, at your bank."

Approved unanimously.

Telegram to Mr. Thomas, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

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"Board approves reappointment of H. H. Rhodes as Assistant Federal Reserve Agent and D. W. Woolley as Alternate Assistant Federal Reserve Agent at your bank. Board will act upon appointments of Acting Assistant Federal Reserve Agents at branches upon receipt of names of those you wish to appoint."

Approved unanimously.

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

"Board approves reappointment of C. C. Hall as Assistant Federal Reserve Agent, and of Messrs. G. C. Page, I. J. Reed and C. P. Gowland as Acting Assistant Federal Reserve Agents at El Paso, Houston and San Antonio Branches, respectively; and appointment of E. A. Thaxton as Alternate Assistant Federal Reserve Agent at your bank. It will be necessary for Mr. Thaxton to execute new oath of office and surety bond in the amount of \$50,000 as Alternate Assistant Federal Reserve Agent and he should not enter upon his duties until you have received advice of Board's approval of bond. Before bond is forwarded to Board for approval it should be examined by your counsel to determine whether its execution complies fully with rules printed on reverse side of form of bond 182."

Approved unanimously.

Telegram to Mr. Stewart, who has been designated as Chairman and Federal Reserve Agent at the Federal Reserve Bank of San Francisco, effective January 1, 1937, reading as follows:

"Board approves reappointment of W. D. Shortt as Assistant Federal Reserve Agent and H. A. Sonne as Alternate Assistant Federal Reserve Agent at your bank, and of H. D. Swengel as Acting Assistant Federal Reserve Agent at your Los Angeles Branch."

Approved unanimously.

At this point Messrs. Thurston, Paulger, Vest, Wingfield, Cagle and Baumann left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated

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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 30, 1936, were approved unanimously.

Telegrams to Messrs. Kimball and Young, Secretaries of the Federal Reserve Banks of New York and Chicago, respectively, stating that the Board approves the establishment without change by the New York bank on December 30, 1936, and by the Chicago bank today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Alexander Thomson, Chairman, Champion Paper and Fibre Company, Hamilton, Ohio, reading as follows:

"Board of Governors has appointed you director of Cincinnati Branch of Federal Reserve Bank of Cleveland for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Charles P. McCormick, President, McCormick and Company, Baltimore, Maryland, reading as follows:

"Board of Governors has appointed you director of Baltimore branch of the Federal Reserve Bank of Richmond for three-year term ending December 31, 1939. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. W. Frank Thomas, Westminster, Maryland, reading as follows:

"Board of Governors has appointed you director of Baltimore branch of the Federal Reserve Bank of Richmond

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"For unexpired portion of term ending December 31, 1938.
Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. W. Frank Roberts, President, Standard Gas
and Equipment Company, Baltimore, Maryland, reading as follows:

"Board of Governors has appointed you director of
Baltimore branch of the Federal Reserve Bank of Richmond
for unexpired portion of term ending December 31, 1937.
Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Cristie Benet, Benet, Shand & McGowan, Colum-
bia, South Carolina, reading as follows:

"Board of Governors has appointed you director of
Charlotte branch of the Federal Reserve Bank of Richmond
for three-year term ending December 31, 1939. Please
wire acceptance collect."

Approved unanimously.

Telegram to Mr. George S. Harris, Lancaster, South Carolina,
reading as follows:

"Board of Governors has appointed you director of
Charlotte branch of the Federal Reserve Bank of Richmond
for unexpired portion of term ending December 31, 1938.
Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. George M. Wright, Great Falls, South Carolina,
reading as follows:

"Board of Governors has appointed you director of
Charlotte branch of the Federal Reserve Bank of Richmond
for unexpired portion of term ending December 31, 1937.
Please wire acceptance collect."

Approved unanimously.

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Telegram to Mr. H. H. Tucker, President, Fones Brothers
Hardware Company, Little Rock, Arkansas, reading as follows:

"Board of Governors has appointed you director
of Little Rock branch of the Federal Reserve Bank of
St. Louis for unexpired portion of term ending Decem-
ber 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. I. N. Barnett, Jr., Manager, Barnett Brothers
Mercantile Company, Batesville, Arkansas, reading as follows:

"Board of Governors has appointed you director of
Little Rock branch of the Federal Reserve Bank of St.
Louis for unexpired portion of term ending December 31,
1937. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Wilson McCarthy, President, Denver and Salt
Lake Railroad Company, Denver, Colorado, reading as follows:

"Board of Governors has appointed you director of
Denver branch of Federal Reserve Bank of Kansas City for
three-year term ending December 31, 1939. Please wire
acceptance collect."

Approved unanimously.

Telegram to Mr. James B. Grant, Lewis and Grant, Denver,
Colorado, reading as follows:

"Board of Governors has appointed you director of
Denver branch of the Federal Reserve Bank of Kansas City
for unexpired portion of term ending December 31, 1938.
Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. T. S. Hanna, President, Baker, Hanna and
Blake Company, Oklahoma City, Oklahoma, reading as follows:

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"Board of Governors has appointed you director of Oklahoma City branch of the Federal Reserve Bank of Kansas City for three-year term ending December 31, 1939. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. H. L. Dempster, Vice President and General Manager, Dempster Manufacturing Company, Beatrice, Nebraska, reading as follows:

"Board of Governors has appointed you director of Omaha branch of the Federal Reserve Bank of Kansas City for three-year term ending December 31, 1939. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. W. H. Schellberg, President, Union Stock Yards Company, Omaha, Nebraska, reading as follows:

"Board of Governors has appointed you director of Omaha branch of the Federal Reserve Bank of Kansas City for unexpired portion of term ending December 31, 1937. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. J. H. Merritt, McKinney, Texas, reading as follows:

"Board of Governors has appointed you class C director of Federal Reserve Bank of Dallas for unexpired portion of term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Frank M. Hayner, President, Hayner Lumber Company, Las Cruces, New Mexico, reading as follows:

"Board of Governors has appointed you director of

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"El Paso branch of the Federal Reserve Bank of Dallas for unexpired portion of term ending December 31, 1938, on understanding that before entering upon your duties as a director you will sever your connection as vice president of First National Bank, Las Cruces, New Mexico. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Jack B. Martin, Arizona Ice and Cold Storage Company, Tucson, Arizona, reading as follows:

"Board of Governors has appointed you director of El Paso Branch of the Federal Reserve Bank of Dallas for the unexpired portion of the term ending December 31, 1937. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. H. Renfert, Renfert-Helmbrecht Company, Galveston, Texas, reading as follows:

"Board of Governors has appointed you director of Houston Branch of the Federal Reserve Bank of Dallas for unexpired portion of term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. W. S. Rosecrans, Los Angeles, California, reading as follows:

"Board of Governors has appointed you director of Los Angeles branch of the Federal Reserve Bank of San Francisco for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. John Thomas, Jerome, Idaho, reading as follows:

"Board of Governors has appointed you director of

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"Salt Lake City branch of the Federal Reserve Bank of San Francisco for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Herbert S. Auerbach, President, Auerbach Company, Salt Lake City, Utah, in care of Mrs. Girard B. Werner, 885 Park Avenue, New York, New York, reading as follows:

"Board of Governors has appointed you director of Salt Lake City branch of the Federal Reserve Bank of San Francisco for unexpired portion of term ending December 31, 1937. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. John M. McGregor, Hooper, Washington, reading as follows:

"Board of Governors has appointed you director of Spokane branch of the Federal Reserve Bank of San Francisco for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. U. M. Dickey, President, Consolidated Dairy Products Company, Seattle, Washington, reading as follows:

"Board of Governors has appointed you director of Seattle branch of the Federal Reserve Bank of San Francisco for two-year term ending December 31, 1938. Please wire acceptance collect."

Approved unanimously.

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, referring to the application of the "Bank of Dawson", Dawson, Georgia, for permission to withdraw immediately from

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membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Bank of Dawson, the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it was noted from the Atlanta bank's letter of December 18, 1936, that the Bank of Dawson had applied to the Federal Deposit Insurance Corporation for insurance of deposits as a nonmember and it was assumed that the termination of its membership in the System would be deferred until it could simultaneously be accepted as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board has today approved the application of the 'Bank of Dawson', Dawson, Georgia, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw. It is understood, however, that the bank desires to continue, without interruption, its status as an insured bank, that it has applied for insurance as a nonmember of the System, and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is assumed, therefore, that you may desire to make an examination of the bank and, in accordance with the provisions of subsection (k) (2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Bank of Dawson, Dawson, Georgia, in connection with its application for

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"continuation of deposit insurance as a nonmember bank."

Approved unanimously.

Letter to President Schaller of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to the application for membership of 'The State Savings Bank of Owosso', Owosso, Michigan, forwarded with Mr. Young's letter of August 29, 1936, and to his telegram of December 24, 1936, advising that the application may now be considered as withdrawn.

"From the information submitted it appears that the bank has capital stock of \$75,000, that it is located in a city with a population of approximately 14,500, and that the bank has decided that it is inadvisable at this time to increase its capital to \$100,000, the minimum amount of capital stock which, under the provisions of Section 9 of the Federal Reserve Act as amended, a State bank located in a place the size of Owosso must have to be eligible for admission to membership in the System.

"In accordance with the decision of the bank as reported in Mr. Young's telegram of December 24, 1936, the Board will consider the application as having been withdrawn. In the event the bank becomes eligible for membership and desires to resubmit its application at some time in the future, the exhibits now on file with the Board pertaining to its organization and reorganization need not be duplicated."

Approved unanimously.

Letter to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to the application of Yakima Holding Corporation, Yakima, Washington, for a voting permit entitling it to vote the stock which it owned or controlled of Yakima First National Bank, Yakima, Washington, and The First National Bank of Wapato, Wapato, Washington.

"It appears that the two former subsidiary member banks have been placed in liquidation, and that therefore the Board need give no further consideration to the

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"application of Yakima Holding Corporation for a voting permit. Accordingly, the Board's file is being closed. However, if you have any further information which you believe should be considered in this connection, please advise the Board."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

J. B. Brudwick
Member.