

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 6, 1937, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman (part of meeting)
 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
 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. Dreibelbis, Assistant General Counsel

There was presented a draft of a letter to Vice President Wood of the Federal Reserve Bank of St. Louis, reading as follows. The file on the matter, including a memorandum prepared by the Division of Examinations under date of November 21, 1936, had been circulated among the members of the Board and Mr. Ransom had requested that it be placed on the docket for consideration at a meeting:

"The Board of Governors of the Federal Reserve System approves the application of the 'Wood & Huston Bank', Marshall, Missouri, for permission to act as executor and administrator, under the authority heretofore granted to it by the Commissioner of Finance of the State of Missouri, on the following conditions:

1. Such bank shall not invest funds held by it as fiduciary in obligations of or property acquired from the bank or its directors, officers, employees, members of their families, or their

"interests, or in obligations of or property acquired from affiliates of the bank.

2. Such bank shall not invest funds held by the bank as fiduciary in participations in pools of mortgage bonds or other securities, and the securities and investments of each trust shall be kept separate from those of all other trusts and separate also from the properties of the bank itself; provided, however, that the Board of Governors of the Federal Reserve System will not object to the collective investment of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary, and if such collective investment is not prohibited by State law or the instrument creating the trust.
3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the Wood & Huston Bank, Marshall, Missouri, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting these conditions and forward a certified copy thereof to the Board."

Mr. Ransom stated that, while he recognized that if the policy adopted by the Board on December 10, 1935, were followed in this case the application would be approved, he had requested that the matter be considered by the Board in order that the question of policy might be reconsidered with a view to determining whether the Board would continue to grant fiduciary powers to small institutions in such cases as this where trust business would be engaged in only in a minor way. He said that he was submitting the application to the Board for consideration because he did not feel that he could recommend its approval and desired the Board to give consideration to the question of policy in relation to the facts

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involved in the particular case. He stated further that, if the Board decided to continue its existing policy of approving applications of banks of this type for fiduciary powers, he would not vote against the approval of the particular application.

After a discussion, during which other members of the Board expressed agreement with the present policy, Mr. McKee moved that the draft of letter to Vice President Wood be approved.

Carried unanimously.

Reference was made to a memorandum dated December 1, 1936, from the Division of Examinations recommending, for the reasons stated therein, (1) that in the absence of any abuse or unsound practices in the operations of an insurance department, no condition of membership be prescribed by the Board in connection with the admission of State banks to membership in the Federal Reserve System prohibiting them from engaging in such business, (2) that the Board cancel such conditions of membership to which nine member banks are now subject, and (3) that the American Bank and Trust Company, Suffolk, Virginia, which withdrew from membership rather than discontinue its insurance department, be advised of this policy.

There was also submitted with the memorandum, a memorandum dated December 8, 1936, from Mr. Wingfield, Assistant General Counsel, stating that it was the view of Counsel's office that the requirement of the Board prohibiting a member State bank from acting as agent for the sale of insurance if such bank is located in a place having a population which exceeds 5,000 inhabitants (in which place national banks are not permitted to act as agents for the sale of insurance) was a sound requirement, that no new reasons had been pointed out by the Division of Examinations for the abandonment of such a requirement,

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and that Counsel's office did not concur in the above recommendations.

The file on this subject had been circulated among the members of the Board and had been placed on the docket for consideration when all of the members of the Board were present.

There was a discussion of the arguments set forth in the memorandum from the Division of Examinations which had been advanced for and against a general policy of prescribing conditions of membership prohibiting a State bank located in a town of over 5,000 inhabitants from selling insurance, and of the position which should be taken by the Board in the matter.

At the conclusion of the discussion, Mr. McKee moved that the Board approve the recommendation of the Division of Examinations that, in the absence of any abuse or unsound practices in the operations of an insurance department, no condition of membership be prescribed in connection with the admission of State banks to membership prohibiting them from engaging in such business, it being understood that such activities will be in accordance with State law and the rulings of the appropriate State authorities.

Carried, Mr. Ransom voting "no".

Mr. McKee then moved that the Board also approve the recommendation of the Division of Examinations that the Board cancel such conditions of membership to which nine member banks are now subject.

Carried unanimously.

Mr. McKee also moved that the American Bank and Trust Company of Suffolk, Virginia, which withdrew from membership rather than discontinue its insurance department, be advised of the Board's present policy.

Carried unanimously.

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Mr. Ransom stated that he voted for Mr. McKee's second and third motions in the light of the action taken by the Board on the first motion which determined the question of general policy.

In accordance with the above actions, the following letters were approved unanimously.

Letter to the Presidents of all Federal reserve banks:

"The Board has recently had occasion to reconsider the general question of conditions of membership prohibiting State member banks from acting directly or indirectly as agents or brokers in the sale of insurance and has decided that, in the absence of any abuse or unsound practices in the transaction of such business by the bank, no condition of membership prohibiting a bank from engaging in such business will be prescribed. It is assumed, of course, that any such business will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities.

"In the comparatively few cases where such conditions are now in force, the Board has decided to cancel the condition. A separate letter canceling such conditions will be forwarded to the presidents of the reserve banks of the districts in which such banks are located. This is brought to your attention in order that you may be guided accordingly in connection with inquiries regarding membership."

Letter to Vice President Wood of the Federal Reserve Bank of St. Louis:

"This refers to the application of the 'Southwest Bank of St. Louis', St. Louis, Missouri, for permission, under the general condition of membership to which the bank is subject, to exercise fiduciary powers. It is understood that the bank's sole purpose in acquiring fiduciary powers is that it may be permitted to retain the earnings of the insurance agency conducted in the name of one of the bank's officers and that the bank has no desire to exercise fiduciary powers.

"The Board will interpose no objection to the continuation of the bank's present insurance activities as described above provided such activities are conducted in accordance with the applicable provisions of State law and

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"the rulings of the appropriate State authorities. In accordance with the statement of Mr. Frederick, vice president and cashier of the bank, at the meeting attended by you and various members of the Board's staff, that the bank is not interested in the exercise of fiduciary powers at this time, the bank's request for permission to exercise limited fiduciary powers will be considered as having been withdrawn. Please advise the bank accordingly."

Letter to Vice President Wood of the Federal Reserve Bank of St. Louis:

"This refers to the application of the 'Manchester Bank of St. Louis', St. Louis, Missouri, for permission, under the general condition of membership to which the bank is subject, to exercise fiduciary powers. It is understood that, unlike the Southwest Bank of St. Louis, the bank's application is not simply in order that it may be permitted to retain the earnings of the insurance agency conducted in the name of one of the bank's officers, but that the bank desires to exercise limited fiduciary powers. The application will be considered in due course.

"In the meantime, it is requested that you advise the bank that, as in the case of the Southwest Bank of St. Louis, the Board will interpose no objection to the continuation of the bank's present insurance activities as described above provided such activities are conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities."

Letter to President Fleming of the Federal Reserve Bank of Cleveland:

"Reference is made to the Board's letter dated January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from engaging in the sale of insurance. According to the records of the Board the following bank in your district is subject to such a condition:

Condition No.

'Citizens Mutual Trust Company',
Wheeling, West Virginia

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"Please advise the above bank that, in accordance with a general policy, the Board has canceled that part of condition numbered 20 to which the bank is subject relative to the sale of insurance. It is assumed, of course, that any insurance activities of the bank will be conducted in

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"accordance with the applicable provisions of State law and the rulings of the appropriate State authorities. Please furnish the Board with a copy of your advice to the bank."

Letter to President Leach of the Federal Reserve Bank of Richmond:

"Reference is made to the Board's letter of January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from acting directly or indirectly as agents or brokers in the sale of insurance.

"As the records of your bank will show, the 'American Bank and Trust Company', Suffolk, Virginia, which was subject to a condition of membership requiring the bank to discontinue the operation of its insurance department within a stated time, withdrew from membership rather than comply with the condition. You may consider it advisable to acquaint the bank with the position of the Board as expressed in its letter X-9780."

Letter to President Newton of the Federal Reserve Bank of Atlanta:

"Reference is made to the Board's letter dated January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from engaging in the sale of insurance. According to the records of the Board the following banks in your district are subject to such a condition:

	<u>Condition No.</u>
'Columbiana Savings Bank', Columbiana, Ala.	19
'Union Trust Company', St. Petersburg, Fla.	24

"Please advise the above banks that, in accordance with a general policy the Board has canceled the condition or part of the condition to which the banks are subject relative to the sale of insurance. It is assumed of course, that any insurance activities of the banks will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities. Please furnish the Board with a copy of your advice to the banks."

Telegram to Vice President Young of the Federal Reserve Bank of Chicago:

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"In accordance with your recommendation Board cancels condition of membership numbered 21 to which 'The Merchants Trust and Savings Company, of Muncie, Indiana', is subject. Please advise the bank accordingly and forward a copy of such advice to the Board."

Letter to President Schaller of the Federal Reserve Bank of Chicago:

"Reference is made to the Board's letter dated January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from engaging in the sale of insurance. According to the records of the Board the following banks in your district are subject to such a condition:

	<u>Condition No.</u>
'The Merchants Trust and Savings Company, of Muncie, Indiana', Muncie, Indiana	21
'American State Bank', Milwaukee, Wisconsin	17
'The Home State Bank of South Milwaukee', South Milwaukee, Wisconsin	19
'First State Bank of Valparaiso', Valparaiso, Indiana	20

"Your bank has previously been advised by telegraph of the cancelation of the condition with respect to The Merchants Trust and Savings Company, of Muncie, Indiana. Please advise the other banks listed above that, in accordance with a general policy the Board has canceled the condition or parts of the condition to which the banks are subject relative to the sale of insurance. It is assumed, of course, that any insurance activities of the bank will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities. Please furnish the Board with a copy of your advice to each bank."

Letter to President McKinney of the Federal Reserve Bank of Dallas:

"Reference is made to the Board's letter dated January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from engaging in the sale of insurance. According to the records of the Board the following bank in your district is subject to such a condition:

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"Condition No.

'Southern Arizona Bank and Trust Company',
Tucson, Arizona

21

"Please advise the above bank that, in accordance with a general policy, the Board has canceled that part of condition numbered 21 to which the bank is subject relative to the sale of insurance. It is assumed, of course, that any insurance activities of the bank will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities. Please furnish the Board with a copy of your advice to the bank."

Letter to President Day of the Federal Reserve Bank of San Francisco:

"Reference is made to the Board's letter dated January 6, 1937 (X-9780), regarding conditions of membership prohibiting State member banks from engaging in the sale of insurance. According to the records of the Board the following bank in your district is subject to such a condition:

Condition No.

'Seattle Trust and Savings Bank',
Seattle, Washington

19

"Please advise the above bank that, in accordance with a general policy, the Board has canceled the condition to which the bank is subject relative to the sale of insurance. It is assumed, of course, that any insurance activities of the bank will be conducted in accordance with the applicable provisions of State law and the rulings of the appropriate State authorities. Please furnish the Board with a copy of your advice to the bank."

Mr. Ransom referred to a letter received by him under date of December 23, 1936, from Mr. Henry E. Sargent, Secretary of the Trust Division of the American Bankers Association, suggesting that arrangements be made to have members of the staff of the Board of Governors attend the 18th Annual Mid-Winter Trust Conference of the Trust Division, which will be held in New York on February 9-11, 1937. Mr. Ransom stated that he felt it would be desirable for members of the staff to attend the Trust Conference and wished to recommend that

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the necessary authority be given by the Board.

In accordance with Mr. Ransom's recommendation it was understood that appropriate members of the Board's staff who wished to attend the conference and could arrange to be away from the office at that time would be authorized to attend.

Mr. Vest left the room at this point.

There followed a further informal discussion of the action proposed to be taken by the board of directors of the Federal Reserve Bank of Atlanta at its meeting in January, 1937, with respect to changes in salaries of officers of the bank for the current year.

At this point Chairman Eccles joined the meeting.

There was presented a memorandum prepared by Mr. Dreibelbis, Assistant General Counsel, under date of January 4, 1937, reviewing the proceedings in connection with the citation of Mr. Johnson to show cause why he should not be removed from office, copies of which had been furnished to all members of the Board, and transcripts of the hearings which were held by the Board on November 10, December 16, and December 29, 1936, and all other documents in connection with the proceedings had been made available to the members of the Board when they were filed with the Board.

A discussion of the information before the Board in the case disclosed that the members of the Board were uniform in the view that the evidence clearly showed that Mr. Johnson had continued to violate laws relating to the Point Pleasant National Bank and had continued

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unsafe and unsound practices in conducting the business of such bank after having been warned by the Comptroller of the Currency to discontinue such violations of law and such unsafe and unsound practices; that the Board would be justified, on the basis of the evidence presented, in issuing an order removing Mr. Johnson from office; and that it appeared that this was the type of case in which Congress intended that the Board would issue such an order.

At the conclusion of the review of the entire record before it, and upon motion by Mr. McKee which was seconded by Mr. Broderick, and by unanimous vote, the Board issued the following order and instructed that copies thereof be served personally by a representative of the Board upon Mr. H. S. Johnson and upon the Point Pleasant National Bank as promptly as possible:

"J. F. T. O'Connor, Comptroller of the Currency of the United States, being of the opinion that H. S. Johnson as a director and officer of The Point Pleasant National Bank, Point Pleasant, West Virginia, has continued to violate laws relating to such national banking association and has continued unsafe or unsound practices in conducting the business of such association after having been warned by the Comptroller of the Currency to discontinue such violations of law and such unsafe or unsound practices; and having certified the facts relating to such violations of law and such unsafe or unsound practices to the Board of Governors of the Federal Reserve System; and the Board having caused due notice to be served upon H. S. Johnson to appear before it and show cause why he should not be removed from office as a director and officer of The Point Pleasant National Bank, Point Pleasant, West Virginia; and the said H. S. Johnson having appeared and having been given a reasonable opportunity to be heard; and the Board having heard all of the evidence and having fully considered the same finds that, as set out in the certificate of the Comptroller of the Currency filed with it, the said H. S. Johnson has continued to violate laws relating to such national banking association and has continued unsafe or unsound practices in conducting the business of such bank after having been warned by the Comptroller of the Currency.

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"Accordingly, it is ordered by the Board that the said H. S. Johnson be and, when a copy of this order has been served upon the bank as hereinafter directed, he is thereby removed from office as a director and as an officer of The Point Pleasant National Bank, Point Pleasant, West Virginia, and he shall thereupon cease to be a director and officer of said bank.

"It is further ordered and directed that the Secretary of this Board cause a copy of this order to be served upon the said H. S. Johnson and a copy of the same to be served upon The Point Pleasant National Bank, Point Pleasant, West Virginia.

"By order of the Board of Governors this 6th day of January, A. D. 1937."

In taking this action it was understood by the Board that, upon receipt of telegraphic advice from the representative of the Board serving the copies of the order that the copies had been served, a letter would be addressed by the Secretary to the Comptroller of the Currency advising of the action taken by the Board.

Further reference was made to the question what action should be taken by the Board looking toward an amendment of the second paragraph of Section 16 of the Federal Reserve Act to extend the authority of the Federal reserve banks, with the approval of the Board, to pledge direct obligations of the United States as collateral for Federal reserve notes. In connection with the consideration of this matter, it was stated that, while, as a consequence of the large gold imports in recent years, there are now enough gold certificates held by the twelve Federal reserve banks combined to enable them to provide a 100 per cent cover for all outstanding Federal reserve notes, this is not true as regards all of the banks individually, particularly in view of the small amount of eligible paper available for

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use as collateral for Federal reserve notes. Furthermore, should gold leave the country in large amounts, as it has done on previous occasions, notably in 1931 and 1932, the Federal Reserve System, in the absence of authority to pledge United States Government obligations to secure Federal reserve notes, might find itself compelled to adopt a restrictive credit policy at a time when an easy credit policy might be the desirable one, resulting in less liberal lending policies on the part of member banks and increasing interest rates and consequent serious restraint on business activity at a time when directly opposite results should be sought for.

All of the members were of the opinion that it was clearly not in the public interest to run the risk of such a development by permitting the authority to pledge government securities against Federal reserve notes to lapse, and that the Board should take the position that such authority should be extended for a further period.

Accordingly, by unanimous vote, Chairman Eccles was authorized to take such steps as were necessary in the circumstances to place before the appropriate committees of Congress a draft of an amendment extending the authority for a further period, the draft to be accompanied by a statement of the desirability of enacting the amendment prior to the expiration on March 3, 1937, of the existing authority.

Chairman Eccles left the room at this point.

Mr. Ransom stated that pursuant to the action taken at the meeting of the Board on November 25, 1936, he had conferred with Commissioner Douglas of the Securities and Exchange Commission with

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respect to the study by the Commission of legislation giving the Commission authority to exercise supervision over the trust activities of banks and trust companies in connection with issues of securities under trust indentures, and that subsequently Mr. Morrill, at the invitation of Mr. Douglas, had conferred with him and Mr. Edmund Burke, Jr., one of his assistants, following which there was a conference of members of the Board's staff with Mr. Burke. At these conferences a first draft of a bill, which had been prepared by Mr. Burke and which was in a very preliminary stage, had been discussed informally, with the understanding that the members of the Board had not seen the draft and that the members of the staff were without authority to commit the Board or any member thereof in any way. At the request of Mr. Ransom, Mr. Morrill outlined briefly the theory upon which the draft had been prepared.

Mr. Ransom added that Mr. Douglas had called him on the telephone again and stated that another draft of the bill had been prepared in the light of the points discussed at the conferences above referred to and that he would like to discuss it with Mr. Ransom and Mr. Morrill.

It was understood that Messrs. Ransom and Morrill would confer with Mr. Douglas for the purpose stated with the understanding that they would make clear that the conference would involve no commitment of any kind on the part of the Board.

Reference was made to the action taken at the meeting of the Board on December 29, 1936, when it was decided to tender to Mr.

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Holmes Sherard, of J. Holmes Sherard & Company, Sherard, Mississippi, appointment as a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the unexpired portion of the term ending December 31, 1938. It was stated that the Board had been advised by Mr. Dillard, Deputy Chairman of the St. Louis bank, that Mr. Sherard was a member of the Mississippi Levee Board, but that he would be willing to resign that office if necessary to qualify as a branch director; that Mr. Dillard had been asked to forward to the Board detailed information with respect to the Levee Board; that this information had not yet been received but that Mr. Dillard had expressed the view that membership on the Levee Board should not be considered as being a political office within the meaning of the Board's resolution of December 23, 1915; that President Martin had inquired over the telephone during this meeting of the Board regarding the status of the matter as his board of directors was in session at the time; and that it might be desirable in the circumstances to appoint Mr. Sherard as a director of the Memphis Branch and determine, upon receipt of the information requested, whether it would be necessary for Mr. Sherard to resign as a member of the Levee Board.

In accordance with this suggestion, the following telegram to Mr. Sherard was approved unanimously.

"Board of Governors has appointed you director of Memphis Branch of Federal Reserve Bank of St. Louis for unexpired portion of term ending December 31, 1938. Please wire acceptance collect. Deputy Chairman Dillard of Federal Reserve Bank of St. Louis has advised that you are member of

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"Mississippi Levee Board but that you will resign if necessary to qualify as branch director. Board has requested detailed information concerning Levee Board and will advise you as soon as possible whether continuance by you as member of that Board would be contrary to position of Board of Governors that directors of Federal reserve banks and branches should not hold political office."

Upon motion by Mr. McKee and by unanimous vote, Mr. Reynold E. Klages, President of the Columbus Auto Parts Company, Columbus, Ohio, was appointed a Class C director of the Federal Reserve Bank of Cleveland for the three-year term ending December 31, 1939.

Upon motion by Mr. Szymczak, and by unanimous vote, it was decided to tender to Mr. Charles F. Larrabee, Vice President of the Pacific American Fisheries, Bellingham, Washington, appointment as a director of the Seattle Branch of the Federal Reserve Bank of San Francisco, for the unexpired portion of the term ending December 31, 1937, with the understanding that before entering upon his duties as a branch director he will sever his connection as honorary vice president of the American National Bank of Bellingham.

At this point Messrs. Thurston, Paulger, Wingfield and Dreibelbis left the meeting and consideration was then 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 January 5, 1937, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Leach, President of the Federal Reserve Bank of

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Richmond, 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.

Telegram to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Relet December 23. Board approves appointment of Paul A. Draper as member Industrial Advisory Committee your district for unexpired portion of term ending February 28, 1937 to succeed Robert Amory, resigned."

Approved unanimously.

Letter to the board of directors of "The Pinconning State Bank", Pinconning, Michigan, advising 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 of Governors of the Federal Reserve System approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock of the Federal Reserve Bank of Chicago:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures.
- "5. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,574.71 as shown in the report of examination of such bank as of November 23, 1936, made by an examiner for the Federal Reserve Bank of Chicago."

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

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"The Board of Governors of the Federal Reserve System approves the application of 'The Pinconning State Bank', Pinconning, 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 for the State of Michigan for his information.

"It has been noted from the presentation memorandum accompanying the application that you will call the bank's attention to the facts that, as a member bank, balances with nonmember banks should be kept within the limitations fixed by section 19 of the Federal Reserve Act and that accounts which do not qualify as savings accounts under the provisions of the Board's regulations should be carried in some other manner."

Letter to the "Citizens National Bank of Bradford", Bradford, Pennsylvania, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by The Commercial National Bank of Bradford and the McKean County Trust Company, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption,

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"may be detrimental to the interests of your institution."

Approved unanimously.

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

"Receipt is acknowledged of your letter of December 19, inclosing a report on Form 220 as of June 30, 1936 of each of 19 affiliates of the City Bank Farmers Trust Company, and of your letter of December 30, inclosing a copy of each report as published by the City Bank Farmers Trust Company.

"On the basis of the information shown on Schedule 'O' as submitted with the bank's condition report as of June 30, 1936, it appears that the submission and publication of these 19 reports is all that is required under the Board's regulations and conditions of waiver insofar as the June 30, 1936 call is concerned. As no good purpose would be served by having the bank submit and publish reports for prior call dates, and as there does not seem to have been any intent on the part of the bank to evade submission of such prior reports, the Board will not require that they be submitted and published."

Approved unanimously.

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

"Replies received to Board's wire, TRANS 2437, of December 16 show that all but two banks favor discontinuance of annual reports heretofore submitted by Federal Reserve agents. It is the Board's view that since the transfer of the research and statistical departments from the agents to the banks it is no longer appropriate to have annual reports prepared by the agents. If the banks wish to publish an annual review of economic developments of the year they are free to do so in their reports to stockholders. Such reports should avoid any substantial duplication of material published in the Board's annual report and should be submitted to the

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"Board of Governors for review before publication."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morice
Secretary.

Approved:

W. S. Lewis
Chairman.