

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 19, 1937, at 11:30 a. m.

PRESENT: Mr. Szymczak, Chairman pro tem  
Mr. Davis

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Messrs. Kimball, Strater and Young, Secretaries of the Federal Reserve Banks of New York, Cleveland and Chicago, respectively, stating that the Board approves the establishment without change by the New York bank on February 18, and by the Cleveland and Chicago banks today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, referring to the application of the "Watkins Banking Company", Faunsdale, Alabama, for permission to withdraw immediately from 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 Watkins Banking Company, the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it was assumed

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that, in accordance with the bank's desire, the termination of its membership in the System would be deferred until it could simultaneously be accepted by the Federal Deposit Insurance Corporation 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 'Watkins Banking Company', Faunsdale, Alabama, 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, 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 Watkins Banking Company, Faunsdale, Alabama, in connection with its application for continuation of deposit insurance as a nonmember bank."

Telegram to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Retel February 13, re 'Bank of Dawson', Dawson, Georgia. In this and similar cases Board waives provisions of Regulation H that unless membership be terminated within two months from date of waiver by the Board of six months' notice of intention to withdraw, bank will be presumed to have abandoned its intention of withdrawing. When bank has made application to F. D. I. C. for continuation of insurance as a nonmember bank, the time within which withdrawal may be accomplished is extended to four months from date of Board's waiver of such six months' notice."

Approved unanimously, together with a letter to the Presidents at all Federal

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reserve banks, reading as follows:

"The Board has recently considered the case of a bank which desired to withdraw from membership but also wished to continue without interruption its status as an insured bank, and to that end had made application to the Federal Deposit Insurance Corporation for acceptance as an insured nonmember bank. The bank had requested waiver of the usual six months' notice of intention to withdraw, which was granted. It subsequently appeared questionable, however, whether arrangements for acceptance as an insured nonmember bank could be completed within two months from the date of the waiver of the six months' notice of intention to withdraw. Accordingly, the Board advised the Federal Reserve Bank that, notwithstanding the provisions of section 10(c) of Regulation H, the time within which the particular bank in question, and any other bank which has made application to the Federal Deposit Insurance Corporation for continuation of insurance as a nonmember bank, may accomplish the termination of its membership is extended to four months from the date of waiver of the six months' notice of intention to withdraw. Such extension of time is applicable without reference of individual cases to the Board. Please be guided accordingly."

Letter to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of January 26, 1937, transmitting the application of 'The First National Bank in Dolton', Dolton, Illinois, for permission to act as trustee in the liquidation of The First National Bank of Dolton.

"The Comptroller of the Currency has advised that he does not look with favor upon a national bank being liquidating agent of another bank, and that The First National Bank in Dolton is being requested to resign as liquidating agent of The First National Bank of Dolton. The Comptroller has recommended, therefore, that the application of The First National Bank in Dolton for permission to act as trustee in the liquidation of its predecessor bank be disapproved.

"Inasmuch as the bank requested authority to act as trustee only in the one instance, it appears that the position taken by the Comptroller of the Currency will eliminate the cause for the request and, therefore, the Board will consider the application as having been withdrawn and will close its files in the

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"case. Please advise The First National Bank in Dolton of the Board's position in the matter."

Approved unanimously.

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of January 28, 1937, with regard to the request of the Commercial Bank, Delphos, Ohio, that it be not required to submit the report as of December 31, 1936 of its affiliate, the Tri-County Real Estate Company, Delphos, Ohio.

"It appears that the Tri-County Real Estate Company is a subsidiary of the member bank, organized for the purpose of holding the 'Other real estate' of the bank; that, by reason of the waiver provisions adopted by the Board and printed on Form 220b, the affiliate has not been required to submit any reports since the enactment of the Banking Act of 1935, but that a report as of December 31, 1936 was not waived by these provisions because on that date the bank was carrying a \$6,800 loan to the affiliate; that this loan was made by the member bank to its affiliate in order to provide funds for the payment of an existing mortgage on property which has been sold by the affiliate and for which payment is to be made in full on or before March 1, 1937; and that the loan is to be paid off on March 1, 1937, whereupon the bank contemplates dissolving the Tri-County Real Estate Company.

"In the circumstances and in accordance with your suggestion, the Board waives the requirement for the submission of a report on Form 220 as of December 31, 1936 by the Tri-County Real Estate Company, Delphos, Ohio."

Approved unanimously.

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

"The Board notes from the minutes of the meeting of the Conference of Presidents held in Washington on Monday, January 25, 1937, that consideration was given to a letter dated December 1, 1936, from President Fleming of the Federal Reserve Bank of Cleveland addressed to Mr. Morrill, Secretary of the Board of Governors, and to Mr. Morrill's reply thereto



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"dated December 11, 1936, with respect to a suggested uniform policy under which the Federal Reserve banks would have authority to spend up to \$100 for each employee retiring after long service for a gift that might be retained as a personal remembrance of the employee's association with the bank and its personnel. It is also noted that the Conference decided that this is a matter which should be left to the board of directors of each Federal Reserve bank.

"Such information as is available at the Board's offices would indicate that none of the Federal Reserve banks has made it a practice to purchase gifts with bank funds for employees leaving the service of the Federal Reserve bank and it is assumed that no Federal Reserve bank will inaugurate such a practice without first taking the matter up with the Board of Governors."

Approved unanimously.

Memorandum dated February 16, 1937, from Mr. Vest, Assistant General Counsel, recommending that there be published in the March issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

- (1) Adoption of the Supplement to the Board's Regulation D increasing reserve requirements.
- (2) Recent amendments to Regulation Q regarding the payment of interest on deposits.
- (3) Compilation of State laws relating to bank reserves, prepared by Counsel's office with the assistance of Counsel to the Federal reserve banks, to supersede a similar compilation published in the Federal Reserve Bulletin for September 1930.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Howell  
Secretary.

Approved:

W. S. Spruill  
Chairman pro tem.