

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, July 17, 1937, at 11:45 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman

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

"This is to advise you that the Board today approved the bonds executed on July 8, 1937, and July 9, 1937, by Messrs. John Carlander and Harold C. Timberlake, respectively, and the Fidelity and Deposit Company of Maryland, Baltimore, Maryland, covering Messrs. Carlander and Timberlake as Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Minneapolis. The Board, therefore, will be glad to address a letter to the Fidelity and Deposit Company of Maryland advising that it is under no obligation on the bonds executed by it on July 13, 1936, and July 21, 1936, covering Messrs. Carlander and Timberlake, respectively, as Assistants Acting for the Federal Reserve Agent, for any acts committed by them subsequent to the date upon which the new bonds were approved by the Board. However, before doing so, it is requested that you advise whether you have any objection to such release."

Approved unanimously.

Letter to "The National Bank of Commerce of Lorain", Lorain, Ohio, reading as follows:

"This refers to the resolution adopted on December 16, 1936, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise the trust

7/17/37

-2-

"powers which have heretofore been granted to it by the Federal Reserve Board, now known as the Board of Governors of the Federal Reserve System.

"The Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it, any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. George Blanton, President, The First National Bank of Shelby, Shelby, North Carolina, reading as follows:

"This refers to your letter of July 9, 1937, relating to the voting of the preferred stock of The First National Bank of Shelby, Shelby, North Carolina, and requesting that a voting permit be granted to Shelby Loan & Mortgage Corporation, Shelby, North Carolina, in order that such stock may be voted at a meeting to be held on July 20, 1937.

"For your information, there is inclosed herewith a copy of the Board's Regulation P, the appendix to which contains section 2(c) of the Banking Act of 1933, as amended, defining the term 'holding company affiliate'. The appendix also contains the provisions of section 5144 of the Revised Statutes of the United States relating to the voting of stock of national banks owned or controlled by holding company affiliates and to the issuance of voting permits by the Board.

"The Board understands that The First National Bank of

7/17/37

-3-

"Shelby has outstanding 2,500 shares of preferred stock and 2,500 shares of common stock; that 4,475 shares, including all of the preferred stock, were voted at the preceding election of directors; that Shelby Loan & Mortgage Corporation was organized in 1933 as a part of a plan to rehabilitate The First National Bank of Shelby; that Shelby Loan & Mortgage Corporation then acquired and still owns all of the preferred stock of the bank; that such stock is pledged with the Reconstruction Finance Corporation as collateral security for a loan; that Shelby Loan & Mortgage Corporation does not own or control any stock of, or manage or control, any bank other than The First National Bank of Shelby.

"In view of the above facts, the Board has determined that Shelby Loan & Mortgage Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for Shelby Loan & Mortgage Corporation to obtain a voting permit from the Board in order for the stock which it owns or controls of The First National Bank of Shelby to be voted. However, the Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

Approved unanimously.

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

"This refers to Mr. Kimball's letter of July 8, 1937, submitting a request of the Chase National Bank for advice as to whether the Board would object to the appointment of alternates for members of the Trust Investment Committee of that national bank functioning under the provisions of paragraph (c) of section 6 of the Board's Regulation F.

"It is understood the Trust Investment Committee is now composed of four officers of the bank appointed by its board of directors. It is proposed that there shall be appointed by the board of directors of the bank an alternate to each member of the Trust Investment Committee, each alternate to act only when the regular member is absent from the bank or is unable, because of the demands of other official business upon his time, to attend the meetings of

7/17/37

-4-

"the Committee. It is also understood that the principal difficulty which the Chase National Bank contemplates meeting by the appointment of such alternates is the one arising out of absences of members of the Committee during the vacation season, and that on this phase of the matter it desires early advice.

"The provision of the regulation referred to contemplates a Committee the members of which shall have a continuity of responsibility for the discharge of the duties of the Committee. However, the Board recognizes that it may be proper to appoint alternates to serve in the place of the regular members of the Committee in certain circumstances without loss of the desired continuity of action by the Committee. The Board is not prepared at this time to lay down any general rule as to all circumstances under which alternates might properly serve in place of regular members of the Committee, but it would have no objection to alternates appointed by the board of directors serving in place of regular members who are absent from the bank on account of vacations, illness, or other good and sufficient reasons. Whenever an alternate serves in the place of a regular member of the Committee, the Board believes that the minutes of the Committee should show the reason for such service in place of the regular member.

"It may also be suggested that the difficulties referred to by the Chase National Bank might be eliminated through the enlargement of the number of regular members of the Trust Investment Committee, it being assumed, of course, that any action by the Committee would represent the action of at least a quorum of the Committee as described in the Board's letter of March 15, 1937 (X-9872).

"Please advise the Chase National Bank accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. A. ...
Chairman.