

A meeting of the Federal Reserve Board was held in Washington on Thursday, February 8, 1934, at 3:50 p.m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
Mr. Thomas
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Vest, Assistant Counsel

The minutes of the meeting of the Federal Reserve Board held on February 1, 1934, were approved.

The Board then considered and acted upon the following matters:

Telegraphic reply, sent on February 7, 1934, with the approval of five members of the Board, to a telegram of the same date from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that the board of directors of the bank, at its meeting on that date, voted to establish a rediscount rate of 2% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approved for the Federal Reserve Bank of Boston the rate of 2%, effective February 8, 1934.

Approved.

Telegraphic reply, sent with the approval of three members of the Board, to a telegram dated February 8, 1934, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, stating that the board of directors of the bank, at its meeting today, voted to establish a rediscount rate of 3% on rediscounts of eligible paper for member banks

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and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective February 9, 1934. The reply stated that the Board approved for the Federal Reserve Bank of Richmond the rate of 3%, effective February 9, 1934.

Approved.

Telegraphic reply, sent on February 7, 1934, with the approval of five members of the Board, to a telegram of the same date from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, stating that the board of directors of the bank, at its meeting on that date, voted to establish a rediscount rate of 2 1/2% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approved for the Federal Reserve Bank of St. Louis the rate of 2 1/2%, effective February 8, 1934.

Approved.

Telegram, sent with the approval of four members of the Board, to Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, replying to a telegram dated February 8, 1934, from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, stating that the board of directors of the bank, at its meeting today, voted to establish a rediscount rate of 3% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approved for the Federal Reserve Bank of

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Kansas City the rate of 3%, effective February 9, 1934.

Approved.

Telegraphic reply, sent on February 7, 1934, with the approval of five members of the Board, to a telegram of the same date from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the board of directors of the bank, at its meeting on that date, voted to establish a rediscount rate of 3% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approved for the Federal Reserve Bank of Dallas the rate of 3%, effective February 8, 1934.

Approved.

Memorandum dated February 7, 1934, from Mr. Vest, Assistant Counsel, referring to the Board's approval on January 8, 1934, of the temporary appointment for a period of thirty days beginning January 8, 1934, of Mrs. Dorothy M. Heathington as a stenographer in the legal division, with salary at the rate of \$130 a month, and recommending that the appointment be continued until the close of business on February 15, 1934, at the same salary rate. The recommendation was approved by three members of the Board on February 7, 1934.

Approved.

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

"Your letter February third. Board approves designation of E. G. Hudel as Examiner in Federal Reserve Agent's department your

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"bank without change in present salary as division chief. Please advise date commissioned as examiner."

Approved.

Telegram dated February 7, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Mr. Sargent's letter February first. Board approves temporary appointment Carl A. Reinholdt as Examiner in Federal Reserve Agent's department your bank at salary rate of \$3,600 per annum effective upon assuming duties as such. Please advise effective date."

Approved.

Telegram dated February 7, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Refer Sargent's telegram February 3 re application 'Kalama State Bank', Kalama, Washington, Board grants extension of time to March 9, 1934 within which bank may comply with conditions of membership."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Refer Sargent's telegram February 5 re application Monterey County Trust & Savings Bank, Salinas, California. Board grants extension of time to February 14, 1934, within which bank may comply with conditions of membership."

Approved.

Letter dated February 7, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to the application of The First National Bank of Elgin, Elgin, Illinois, for full fiduciary powers under

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"Section 11 (k) of the Federal Reserve Act.

"The Board has noted that although the condition of the applicant appears satisfactory and its management capable, a consolidation with its affiliated institution, the Elgin City Banking Company, is contemplated and an application for permission to consolidate the two institutions under the charter and name of the national bank has been filed with the Comptroller of the Currency, but no report of examination of the state bank by a national bank examiner has yet been received.

"Inasmuch as it will, no doubt, be the desire of the consolidated bank to acquire the present trust business of the Elgin City Banking Company, the Board feels that full information relative to the condition of the Elgin City Banking Company, the character of its assets and the nature of the business handled by its trust department, should be available before fiduciary powers are granted.

"This is to advise, therefore, that action upon the application for full fiduciary powers has been deferred pending an examination of the Elgin City Banking Company by a national bank examiner incident to the consolidation of the two institutions. When such examination has been completed, and a report thereof is available, the Board will consider the pending application, at which time it will be glad to have the benefit of any further recommendation you may wish to make in the premises. The Board would like to receive a copy of any contract or agreement entered into between the two banks, and to be advised whether the institution has designated a trust committee to supervise the activities of the proposed trust department and if it has available the services of competent legal counsel experienced in trust matters.

"Please advise the applicant bank as to the Board's position in the matter of its application."

Approved.

Telegram to Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram 7 re exchange by Havana agency of Federal reserve notes for gold certificates. Until further action by Board agency is authorized to make direct exchanges in like amounts of Federal reserve notes for United States gold certificates without charging the usual commission of \$1 per \$1,000 for such exchanges."

Approved.

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

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"This refers to your letters of September 29, 1933, October 11, 1933, and January 5, 1934, together with their inclosures, regarding your inquiry No. 35 with respect to whether the payment of a tax by national banks in accordance with the provisions of certain statutes of the State of Connecticut constitutes a payment of interest within the meaning of Section 19 of the Federal Reserve Act as amended.

"It appears that Section 1285 of the Connecticut Statutes requires the payment by State savings banks of an annual tax on their corporate franchises, which is computed on the basis of the amount of their deposits as of the first day of January, after allowing for certain specified exemptions. Section 1289 provides that a national bank may elect to pay the tax on its savings deposits required to be paid by savings banks except that the tax in such case is to be based on the amount of interest-bearing deposits in the savings department on the first day of October; and in the event of the election by a national bank to pay such tax, the depositors in the savings department of such bank are not required to include in their tax lists the amount of their savings deposits. It is understood that the question presented is whether the payment by a national bank of such tax constitutes a payment of interest in determining the amount of interest paid by the bank on its savings deposits.

"From a consideration of the statutory provisions here involved, in the light of the opinion of your counsel with respect to this matter, it is the opinion of the Board that this case is governed by the ruling contained in the Board's letter of December 8, 1933 (X-7703) and that, therefore, the amount of the tax so paid by a national bank need not be taken into consideration in determining whether the bank is paying interest on its savings deposits at a rate in excess of the limitations prescribed by the Federal Reserve Board, pursuant to that provision of Section 19 of the Federal Reserve Act which requires the Federal Reserve Board from time to time to limit by regulation the rate of interest which may be paid by member banks on time deposits."

Approved.

Letter dated February 7, 1934, approved by four members of the Board, to Honorable Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, reading as follows:

"I have your letter of January 26, 1934, in regard to a conference held at the offices of the Reconstruction Finance Corporation for the purpose of considering the procedure in connection with applications of State member banks for assistance from the Reconstruction Finance Corporation.

"I believe it will be helpful as a basis for the Board's response to your inquiry to set forth briefly a resume of the matters

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"discussed at the conference to which you refer, as reported to me by Messrs. Martin, Paulger and Morrill. The conference was requested by the examining division of the corporation, it was understood, for the purpose of discussing informally how the organizations represented could cooperate with the corporation in order to assist it in passing upon pending applications. In addition to Senator Blaine, Mr. Sheehan, Mr. McKee, and Mr. Talley, representing the corporation, there were present Mr. Bennett of the Federal Deposit Insurance Corporation, Mr. Lyons and Mr. Folger, representing the office of the Comptroller, and Messrs. Martin, Paulger and Morrill, of the staff of the Federal Reserve Board.

"Mr. Sheehan indicated that it was the intention of the corporation immediately to suspend for the time being consideration of pending applications from State member and national banks, except that Senator Blaine said that there were cases as to which the corporation had already made commitments which it was felt should be carried out. Mr. Sheehan said that it was felt that with the exceptions referred to no further applications should be approved until it could be ascertained whether the Comptroller of the Currency or the Federal Reserve Board as the case might require would make the certificate to the Federal Deposit Insurance Corporation called for by section 12B of the Federal Reserve Act and a report of a current examination became available to the Reconstruction Finance Corporation. In this connection, reference was made to State banks which are not members of the Federal reserve system, as to which it was understood that action upon their applications also would be suspended until it could be ascertained whether the Federal Deposit Insurance Corporation would admit them to the benefits of the insurance fund.

"It was stated by the members of the staff of the Federal Reserve Board that it had, on December 7, 1933, issued instructions to all Federal reserve agents to formulate and carry out plans for examining all State member banks prior to June, 1934, as a basis for the issuance by the Federal Reserve Board of the certificates contemplated by section 12B of the Federal Reserve Act and that the Federal reserve agents had begun to carry out such plans, so that some of the examinations upon which the Board might base its certificates were instituted in December, i.e., prior to the date, January 1, 1934, referred to in paragraph 5(a) of your letter. It was also stated that the Federal reserve agents generally were giving first attention to the banks which it was believed on the basis of existing information might require financial assistance, so that as much time as possible would be available before June, 1934, in which to work out plans of rehabilitation, either through the assistance of the Reconstruction Finance Corporation or otherwise.

"It was further pointed out that under the procedure provided for by section 12B of the Federal Reserve Act with respect to banks which are members of the Federal reserve system on or before July 1, 1934, each bank must make an application to the Federal Deposit Insurance Corporation for stock; upon receipt of such application the corporation shall request the Federal Reserve Board in the case of a

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"State member bank or the Comptroller of the Currency in the case of a national bank to certify upon the basis of a thorough examination of such bank whether or not the assets of the applying bank are adequate to enable it to meet its liabilities to depositors and other creditors as shown by the books of the bank; and the Federal Reserve Board or the Comptroller of the Currency shall make such certification as soon as possible. Attention was called to the fact that no request had been received by either the Comptroller of the Currency or the Federal Reserve Board from the Federal Deposit Insurance Corporation for any such certification and Mr. Bennett said that he would take up that matter immediately. Reference was made also to the fact that, so far as the certificate required by section 12B of the Federal Reserve Act was concerned, it was only necessary that the applying bank have 'assets adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by its books' and consequently that, for this purpose alone, the Comptroller of the Currency and the Federal Reserve Board were not required to approve the capital structure of the bank.

"It was stated by the members of the staffs of the Comptroller and the Federal Reserve Board, in view of all the circumstances, that it would not be possible for them to commit the Comptroller of the Currency or the Federal Reserve Board, respectively, in advance as to whether or not any particular certificate would be issued, but that, in the interest of expediting the consideration of applications received by the corporation and in order to be of as much assistance as possible to the corporation, the chief national bank examiner or the chief of the division of examinations of the Board, respectively, would be willing to indicate upon request of the corporation what recommendation he would make as to the certificate. In this connection, in response to an inquiry by Mr. Sheehan, it was stated that the Board's division of examinations would be willing to check over a list which would be furnished by Mr. Sheehan of pending applications and indicate the cases in which current examination reports which would be regarded as satisfactory had been received and to make such reports available to the corporation together with any other information which the division of examinations might have that would be helpful to the corporation in determining what action it should take, as well as to indicate, if possible at that time, what recommendation would be made as to the issuance of a certificate. Since then a list of applications with the Reconstruction Finance Corporation, presumably the one to which you refer in paragraph numbered (1) in your letter, has been received by our division of examinations. There have also been received a number of letters, some from the examining division of the Reconstruction Finance Corporation and some from Mr. Cooksey, each relating to the application of a particular State bank and these letters have been referred to the division of examinations for attention.

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"In the light of the foregoing resume, therefore, the following observations are made upon the numbered paragraphs in your letter.

"(1) Mr. Paulger will advise the examining division of your corporation as to each bank named in the list received from the corporation and in subsequent inquiries whether a report of examination has been received which is considered to be adequate as a basis for the certification required by section 12B of the Federal Reserve Act and will make such report available for inspection by your examining division if desired.

"(2) (3) In many instances a change in the capital structure of a State member bank does not involve the necessity for action by the Federal Reserve Board under any applicable provision of law or condition of membership, while in other cases there may be provisions of law or conditions of membership that must be considered. In this respect the situation with respect to the Federal Reserve Board differs materially from that of the Comptroller who, it is understood, must pass upon any increase or decrease of capital structure of a national bank. Therefore, it was not understood that the Federal Reserve Board or its division of examinations would be called upon in every case to approve or disapprove the program as such under which the corporation may authorize a purchase or loan or to approve or disapprove the particular purchase or loan, although it was assumed that the Board's division of examinations would be at liberty to offer suggestions or comments for your consideration. If, however, the corporation's program in any particular case will involve the necessity for action by the Federal Reserve Board, under a condition of membership or provision of the Federal Reserve Act applicable to the State member bank, and if the necessary information is available, your examining division will be advised as to whether the Board's division of examinations is prepared to recommend that the Board consent to or approve such part or parts of the program as may require its action. The Board's division of examinations will also advise you what recommendation it is prepared to make regarding the certificate to the Federal Deposit Insurance Corporation unless a satisfactory report of examination or other essential information is lacking. If in any case the required information is not available, your examining division will be advised as soon as possible after the receipt of the information as to what recommendation the Board's division of examinations will make.

"It seems to the Board, in this connection, that there may be cases in which a delay in the action of the corporation in passing upon an application for the purpose of rehabilitating the capital structure of a bank might be unnecessary and even disadvantageous because of conditions peculiar to the particular bank or to the local situation and especially in cases where action in the nature of a reorganization, requiring negotiations and the effectuation of formal legal steps, may be required in order to complete the task before July 1, 1934. For these reasons the Board suggests for your consideration the question whether it is advisable in all

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"cases to suspend entirely the consideration of pending applications solely for the purpose of awaiting advice as to whether or not the Board's division of examinations will recommend the issuance of the certificate required by section 12B of the Federal Reserve Act, provided of course the corporation has available to it a satisfactory report of examination and such other information as may be necessary.

"(4) No comment upon this paragraph seems necessary.

"(5) As previously stated, the examination program of the Federal reserve agents was initiated by the Board's letter of instruction of December 7, 1933, and consequently, examinations made in December may be used by the Board as a basis for its certification. In this connection, there may be some situations which will require consideration of the advisability of accepting examinations instituted at an earlier date and it would seem desirable not to preclude the consideration of such cases. The Federal reserve agent, of course, will be glad to cooperate with your agency manager in every way possible. For your information it may be stated, however, that there are likely to be cases involving readjustments of capital structure in State member banks which do not require approval by the Federal Reserve Board, but the Federal reserve agent will be in position to advise your agency manager as to whether or not the Board's approval is required in such cases.

"In conclusion I may say that it is the Board's desire that its organization shall cooperate with that of your corporation in every way possible in facilitating the program of rehabilitation of the capital structures of State member banks and, as stated during the course of the conference previously mentioned, it is assumed that the corporation will give as prompt and liberal consideration as circumstances justify to applications of State member banks as it has already given to applications of nonmember State banks. In this connection, however, a communication has just been received from one of the Federal reserve agents in which he states that there has been a marked change in the requirements of the corporation since the first of January and that conditions are now being imposed apparently upon a different basis than the one upon which the Federal reserve agents and the local agencies of the Reconstruction Finance Corporation have formerly cooperated. He points out that before submitting recommendations to the corporation the possibilities of obtaining local capital were explored in every case and that in most instances where the Washington office, without knowledge of local conditions, has seemingly arbitrarily imposed requirements for local participation, the banks will be unable to meet them. It will be appreciated if you will let me know whether there has been a change in policy as this report would indicate."

Approved.

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Memorandum dated February 8, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that, while the reduction in the gold content of the dollar from 25-8/10 to 15-5/21 grains took place on Wednesday, January 31, the Treasury closed its books for that day at 3 o'clock or shortly before devaluation took place, and that the first page of today's Federal reserve bank condition statement, therefore, will show the monetary gold stock on the new basis for the first time, which stock will include only gold held by the United States Treasury, and recommending that the following text (figures in which are subject to slight corrections) be used in the weekly Federal reserve bank statement to be issued at 4 o'clock today:

"The daily average volume of Federal Reserve bank credit outstanding for the week ended February 7, as reported by the Federal Reserve banks, was \$2,616,000,000, a decrease of \$24,000,000 compared with the preceding week and an increase of \$547,000,000 compared with the corresponding week in 1933.

"On January 24 total reserve bank credit amounted to \$2,606,000,000, a decrease of \$24,000,000 for the week. This decrease is accounted for largely by changes resulting from the reduction in the weight of the gold dollar, and increases of \$35,000,000 in money in circulation, \$84,000,000 in member bank reserve balances and \$13,000,000 in nonmember deposits and other Federal Reserve accounts.

"The monetary gold stock shown below as \$7,035,000,000 represents the gold holdings of the United States Treasury valued at \$35 an ounce. United States gold coin previously reported in circulation (\$287,000,000 on January 31, 1934) has been deducted from the figures of monetary gold stock and money in circulation for last week and for February 8, 1933.

"Bills discounted declined \$4,000,000 at the Federal Reserve Bank of New York and \$10,000,000 at all Federal Reserve banks. The System's holdings of bills bought in open market declined \$14,000,000 and of United States bonds \$2,000,000, while holdings of United States Treasury notes and of Treasury certificates and bills were practically unchanged."

Approved.

At this point Mr. O'Connor joined the meeting.

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Governor Black stated that the directors of the Federal Deposit Insurance Corporation had submitted to him a proposed bill amending section 12B of the Federal Reserve Act with regard to the insurance of bank deposits, and had requested that they be advised whether the Board would be willing to approve the proposed bill. The bill provided, Governor Black stated,

1. For continuing the insurance of deposits up to \$2,500 under the temporary insurance fund until July 1, 1935, deferring until then the time when the permanent insurance plan would become effective.
2. That subscriptions by member banks to Class A stock in the Federal Deposit Insurance Corporation would not be required to be paid before July 1, 1935, and that, in effect, the certification of national banks by the Comptroller of the Currency and of State member banks by the Federal Reserve Board to the corporation would be deferred one year.
3. That each member of the temporary fund would be required to file on December 15, 1934, instead of June 15, 1934, a second statement of its deposits for the purpose of determining the amount which it should pay to the corporation by reason of any increase in its deposits.
4. That the provisions authorizing the appointment of the Federal Deposit Insurance Corporation as receiver of closed member banks would be made applicable also to members of the temporary fund.
5. That members of the fund would have the right to withdraw therefrom on July 1, 1934, upon giving thirty days' notice and subject to regulations prescribed by the corporation, and banks withdrawing at that time would be entitled to a refund of their proportionate share of any estimated balance in the fund.
6. That the Federal Deposit Insurance Corporation would be authorized, with the approval of the Secretary of the Treasury, to issue obligations which would be guaranteed, both as to principal and interest by the United States.
7. That such obligations of the corporation would be eligible for discount or purchase by any Federal reserve bank.

Governor Black added that he had discussed the proposed bill

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with the directors of the Federal Deposit Insurance Corporation, representatives of the Treasury Department, and Messrs. Morrill and Vest of the Board's staff, and that he felt that the purposes sought to be accomplished by the amendment are desirable, but that there should be added to the bill (1) a provision requiring that capital notes and debentures purchased by the Reconstruction Finance Corporation from State member banks shall be considered as having the same status as capital stock for the purposes of admission to membership in the Federal Reserve System and (2) a provision to the effect that liabilities to holders of capital notes and debentures and to persons whose deposits are subject to subordination agreements shall not be considered as included in the term "liabilities to depositors and other creditors" in connection with such certification.

Mr. O'Connor stated as the reasons of the Federal Deposit Insurance Corporation for proposing the bill: (1) There are some States where State banks are not authorized by law to purchase the stock of the corporation provided under the permanent insurance plan and such banks would be unable to qualify as stockholders in the corporation on July 1, 1934; (2) ninety-seven per cent of the individual depositors in the United States are protected under the temporary insurance fund and 31% of all deposits, and there is a strong feeling that the additional insurance provided under the permanent plan will not be necessary; (3) member banks have no serious objection to the insurance of deposits up to \$2,500, or to the liability imposed upon them under the temporary fund, but they do object strongly to the permanent insurance plan.

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A general discussion followed, at the conclusion of which all of the members present expressed approval of the proposed bill with the additions thereto suggested by Governor Black, and it was understood that Counsel would prepare a letter to the Federal Deposit Insurance Corporation stating that the Board approves the proposed bill with such additions.

Governor Black referred to the discussion at the meeting yesterday with regard to the extension of credit to industry, and particularly to the suggestion that there be established intermediate credit banks for industry, and he presented the following memorandum for consideration of the members of the board:

"1. Establish in each of the twelve Federal reserve districts an Intermediate Credit Bank for Industry which shall be organized in accordance with and be subject to regulations of the Federal Reserve Board.

"2. The United States Government shall subscribe for and pay in capital and surplus of each bank in amounts to be determined from time to time by the Federal Reserve Board on the basis of the prospective needs of such bank, within an aggregate not exceeding \$300,000,000 for the twelve banks, any part or all of the paid-in capital and surplus of any bank to be returned to the Government when in the judgment of the Federal Reserve Board it is no longer needed for the purposes of the bank, but the funds so returned to be available, if deemed advisable by the Federal Reserve Board, for capital or surplus of the same or any other Intermediate Credit Bank for Industry.

"3. Each Intermediate Credit Bank for Industry shall be authorized to discount for and purchase from banks, trust companies, mortgage companies, credit corporations for industry, or other financing institutions obligations having maturities not exceeding five years, representing loans or advances to provide for working requirements and capital needs of existing industrial enterprises; and to make advances to such institutions on the security of such obligations.

"4. Each such financing institution shall become liable, through indorsement, guaranty, or pledge of collateral security, to the extent of not less than 20% of the total amount of the obligations acquired from it by the Intermediate Credit Bank of Industry.

"5. In exceptional circumstances when an industrial enterprise is unable to obtain adequate financial assistance on a reasonable basis from other institutions whose facilities normally might be available to it, the Intermediate Credit Bank for Industry for the district in which such industrial enter-

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"prise is located may make advances temporarily for working requirements or capital purposes of such enterprise, when the application therefor and the terms and conditions under which such advances are to be made are also approved by the board of directors of the Federal reserve bank of such district.

"6. Each Intermediate Credit Bank for Industry, with the approval of the Federal Reserve Board, shall be authorized to issue, severally or jointly with other such banks, notes, debentures, bonds, or other such obligations, for the repayment of which all of the twelve banks shall be jointly liable; the amount of any one bank's issues outstanding at any one time not to exceed five times the bank's aggregate capital and surplus; such obligations to be fully and unconditionally guaranteed both as to principal and interest by the United States Government; and such obligations to be exempt from all Federal, State, and local taxation, except surtaxes, estate, inheritance, and gift taxes. Such banks, including all their assets, shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

"7. The Federal reserve banks shall have authority to purchase and sell the obligations issued by the intermediate credit banks for industry and to accept them as collateral for fifteen-day notes of member banks.

"8. Each Intermediate Credit Bank for Industry shall have power to rediscount obligations accepted by any other such bank, to buy and sell obligations issued by any such bank, and to pay off and retire before maturity any obligations issued by it, subject to the approval of the Federal Reserve Board, and the Board shall have the power to require such action by any such bank.

"9. All interest and discount rates shall be subject to review and determination by the Federal Reserve Board."

The memorandum was briefly discussed and it was understood that the members of the Board individually would give consideration to the memorandum and that the matter referred to therein would be discussed further at a meeting of the Board to be held on Tuesday, February 13, 1934.

Letters dated February 7, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Clarence W. Bell, for permission to serve at the same time as a director and officer of The First-Stamford National Bank and Trust Company, Stamford, Connecticut, and as a director of The Home Bank & Trust Company of Darien, Darien, Connecticut.

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Mr. F. M. Coogan, for permission to serve at the same time as a director and officer of The Second National Bank of Phillipsburg, Phillipsburg, New Jersey, as a director of The First National Bank of Belvidere, Belvidere, New Jersey, and as a director of The First National Bank of Washington, Washington, New Jersey.

Mr. Ben Branch, for permission to serve at the same time as a director of The First National Bank of Nesquehoning, Nesquehoning, Pennsylvania, and as a director of the Mauch Chunk Trust Company, Mauch Chunk, Pennsylvania.

Mr. C. V. Henry, for permission to serve at the same time as a director and officer of The Annville National Bank, Annville, Pennsylvania, and as a director and officer of the Lebanon National Bank, Lebanon, Pennsylvania.

Mr. J. B. Pearson, for permission to serve at the same time as a director and officer of the First State Bank, Hulbert, Oklahoma, and as a director and officer of The First National Bank of Tahlequah, Tahlequah, Oklahoma.

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of the application as follows:

Mr. J. O. Pattison, for permission to serve at the same time as a director and officer of The First National Bank of Knoxville, Knoxville, Pennsylvania, and as a director and officer of The Pattison National Bank of Elkland, Elkland, Pennsylvania.

Approved.

There were then presented the following applications for original stock of Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
The Union National Bank of Rockwood, Rockwood, Pennsylvania	36	36
<u>District No. 5.</u>		
First National Bank of Oak Hill, Oak Hill, West Virginia	36	36

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<u>Applications for ORIGINAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 7.</u>		
First National Bank in De Kalb, De Kalb, Illinois	90	
First National Bank in Council Bluffs, Council Bluffs, Iowa	72	
Nodaway Valley National Bank of Villisca, Villisca, Iowa	36	
The National Bank of Eaton Rapids, Eaton Rapids, Michigan	<u>36</u>	234
<u>District No. 10.</u>		
Security National Bank of Superior, Superior, Nebraska	30	30
<u>District No. 11.</u>		
First National Bank in Breckenridge, Breckenridge, Texas	90	
The First National Bank in Durant, Durant, Oklahoma	<u>72</u>	162
	<u>Total</u>	<u>498</u>

Approved.

Thereupon the meeting adjourned.

Cheser Moriel
Secretary.

Approved:

E. R. Bach
Governor.