

A meeting of the Federal Reserve Board was held in Washington on Thursday, March 8, 1934, at 3:00 p. m.

PRESENT: Mr. Black, Governor
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Thomas
 Mr. Szymczak
 Mr. O'Connor

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Bethea, Assistant Secretary
 Mr. Martin, Assistant to the Governor
 Mr. Paulger, Chief of the Division
 of Examinations
 Mr. Smead, Chief of the Division of
 Bank Operations
 Mr. Wyatt, General Counsel
 Mr. Vest, Assistant Counsel

The minutes of the meetings of the Federal Reserve Board held on February 23, 24 and 26, and March 2, 1934, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on February 21 and 28, and March 1, 1934, were approved and the actions recorded therein were ratified unanimously.

The Secretary stated for the record that Mr. James had approved the minutes of the meeting of the Federal Reserve Board held on January 22, 1934.

The Board then considered and acted upon the following matters:

Telegrams dated March 7, 1934, from Mr. Paddock, Deputy Governor of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, and March 8, 1934, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, and Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, all advising that, at meetings of the boards

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of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated March 2, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that he be authorized to negotiate with Mr. Laurence H. Jones for his employment by the Board as a Federal reserve examiner, with salary at a rate not to exceed \$4,800 per annum, effective as of the date upon which he enters upon the performance of his duties. The recommendation was approved by five members of the Board on March 7, 1934.

Approved.

In connection with the above there was presented a second memorandum, dated March 8, 1934, from Mr. Paulger stating that Mr. Jones had agreed to accept appointment by the Board, with salary at the rate of \$4,800 per annum.

Mr. Jones was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, and was designated a Federal reserve examiner, with salary at the rate of \$4,800 per annum; all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated March 3, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Helen R. Dyer, an employee in the division, be granted an additional thirty days leave of absence with pay on account of illness, beginning March 7, 1934. The recommendation was approved by six members of the Board on March 7, 1934.

Approved.

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Letter dated March 6, 1934, approved by five members of the Board, to Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Further reference is made to your letter of February 23, 1934, with regard to the leave of absence with pay granted to Mr. R. B. Wiltse, Assistant Manager of your Buffalo Branch, and to the Board's reply of February 28.

"It is understood from our telephone conversation of March 3 that because of the long and satisfactory service of Mr. Wiltse as a member of the staff of the Federal Reserve Board and as an officer of the Buffalo Branch and the purpose for which the leave of absence is desired, your directors had intended that it should not be regarded as Mr. Wiltse's regular annual vacation, which will be taken later in the year, but in addition thereto, and that it was for this reason that the matter was submitted to the Board in accordance with its letter of June 14, 1928 (X-6069).

"In view of these circumstances, the Federal Reserve Board approves the salary payment involved in the leave of absence of approximately one month beginning March 1, 1934, granted by your directors to Mr. Wiltse."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of February 27 transmitting to the Federal Reserve Board a copy of the report of the special committee of the board of directors of the Federal Reserve Bank of Philadelphia appointed to make a study of its executive personnel, together with memoranda used by the committee in preparing the report.

"In the Board's letter to you of January 23, 1934, reference was made to a letter to Governor Norris on December 13 in which the statement was made that there was a feeling on the part of the members of the Board that in making recommendations for additions to the staff of senior officers consideration should be given to the desirability of obtaining the services of an official who has had broad practical experience in commercial banking. The Board has noted the report to the board of directors of the Federal Reserve Bank of Philadelphia signed by Mr. Wayne but as it is not entirely clear from that report what the views of the committee were on the point referred to in the letter to Governor Norris of December 13 and your letter does not indicate the extent of the discussion by the board of

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"directors of the report of its special committee or what consideration the board gave to this question it will be appreciated if you will advise the Board fully and transmit with your letter a copy of the minutes of the Board bearing on this question."

Approved.

Telegram dated March 7, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Your letters February 28 and telegram March 3. Board approves temporary appointment of Fred E. Allen and C. L. Bollinger as examiners in Federal Reserve Agent's department your bank at salary rate of \$2,700 each per annum, effective upon assuming duties, with understanding Mr. Bollinger will continue systematic reduction indebtedness to Springfield banks. Please advise effective dates."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to Mr. Downs' letter of February 3, 1934, calling attention to the adjustments made in the capital accounts of The Marine Trust Company of Buffalo, Buffalo, New York. From the information available to the Board, it would appear that the bank has adequately provided for the depreciation in securities as shown in the analysis of the report of examination of the bank made as at the close of business July 21, 1933.

"The analysis shows estimated losses of \$17,395,000 in loans and discounts and \$138,000 in miscellaneous assets, whereas the letter states that only \$8,400,000 of the losses in loans and mortgages have been charged off. The Board feels that a bank's published statement should reflect as nearly as possible the true condition of its assets and it will be appreciated if you will advise the Board as to what steps have been taken to effect the charge-off or elimination of the remaining assets classified as losses.

"It will be appreciated if you will advise also as to the progress the bank is making in the liquidation of loans secured by stock of the Marine Midland Corporation."

Approved.

Letter dated March 7, 1934, approved by five members of the Board,

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

"Reference is made to your letter of September 23, 1933, recommending approval of the proposed plan of the 'Peoples-Pittsburgh Trust Company', Pittsburgh, Pennsylvania, for the dissolution of its wholly owned subsidiary, Century Securities Corporation of Delaware, which plan contemplates, among other things, the placing of 11,446 shares of the bank's own stock now held by that corporation with three trustees to be sold for the benefit of the bank as and when a market can be found.

"It is noted that the bank has held the 11,446 shares of its own stock through this subsidiary for more than six months, which constitutes a violation of the spirit and purpose of section 9 of the Federal Reserve Act, and under the proposed plan the bank will continue to own such stock through a trusteeship. The Board, of course, cannot approve the holding by a bank of its own stock but in view of your statement that the adoption of the plan for the dissolution of this subsidiary will result in substantial progress being made toward the adjustment of desired corrections in the condition of the bank, and that substantial compliance with requirements made by the Board in the recent past will be obtained, the Board will interpose no objection to the transaction providing the stock of the subject bank to be placed with the proposed trustees is disposed of within six months.

"The analysis of the report of examination of the bank as of April 29, 1933, indicates that 4,407 shares of the bank's own stock were held as collateral to loans and, if you have not already done so, it is requested that you ask the bank to eliminate such loans from its assets or obtain other security therefor as soon as possible.

"You are requested to have the subject bank report to you every sixty days as to the progress made in disposing of the stock to be held by the trustees for the benefit of the bank and in eliminating the loans secured by the bank's own stock. It will be appreciated if you will keep the Board advised as to the progress made by the bank in this connection.

"The information submitted with the analysis of the report of examination as of April 29, 1933, discloses that the bank has not charged off all of the losses required by the State banking authorities, and it is evident that further corrections in the condition of the bank should be made. In view of your recommendation that no further action be taken at this time, the Board will defer this matter until after another examination has been made of the bank. It is assumed that your examiners will participate in such examination, and the Board will be pleased to receive an analysis of such examination, together with your recommendations in the premises."

Approved.

Letter dated March 7, 1934, approved by five members of the Board,

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

"Receipt is acknowledged of Mr. Swanson's letter of February 21, 1934, supplementing his letter of February 5, 1934, reporting on the reserve deficiency record of The First National Bank of Rib Lake, Rib Lake, Wisconsin, since October, 1932, and stating that the bank has been deficient in its required reserves for ten consecutive periods from September, 1933, through January, 1934. It is noted that a letter has been sent to each of the directors of the bank calling attention to the reserve requirements and the penalties for continued reserve deficiencies. In view of this, the Board will take no action in the matter at this time, other than to forward copies of Mr. Swanson's letter to the Comptroller of the Currency for his information. It is understood from Mr. Swanson's letter that if this deficiency continues through the month of February, 1934, the bank will be reported to the Board as one which may require corrective action."

Approved.

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

"Reference is made to your letter of January 16, 1934, regarding the transaction whereby on December 18, 1933, the Central State Bank of McKinney, Texas, a member bank, assumed the deposit liabilities of the Security State Bank, Blue Ridge, Texas, a nonmember bank.

"The Board has noted the information submitted with your letter from which it appears that the deposit liabilities assumed by the Central State Bank were offset by cash deposited with the Central State Bank by the Security State Bank, and that the transaction has resulted in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the member institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System. The Board, therefore, will interpose no objection to the transaction, provided that no branches were acquired by the Central State Bank in the transaction and that your Counsel is satisfied as to the legal aspects of the matter.

"Please advise the Board definitely in these respects."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San

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Francisco, reading as follows:

"Receipt is acknowledged of Mr. Sargent's letter of February 15, 1934, inclosing analysis of report of a credit investigation of the Bank of Orofino, Orofino, Idaho, conducted by one of your examiners as of the close of business October 23, 1933. In this letter the Board's opinion is asked as to whether or not the holding by the bank of certain shares of stock constitutes a violation of the conditions of membership.

"The conditions of membership under which the bank was admitted to the system contain no reference to the purchase or holding of stocks, and it would not appear that the purchase of the stock in question would cause such a change in the general character of the bank's assets as would tend to affect materially the standard maintained and required as a condition of membership, thereby constituting a violation of condition of membership numbered two. As you know, however, the Board feels that stocks are not suitable for the investment of funds of commercial banking institutions, and the regular conditions of membership now prescribed prohibit the purchase of stocks by member banks except with the permission of the Federal Reserve Board.

"In this connection, it appears from a response to an inquiry from your office that the Idaho Banking Department insists that State banks should not make this type of investment. The Board expects State member banks to conduct their operations in accordance with the laws of the States in which they are operating and the regulations and requirements of the appropriate state authorities. It is suggested that you advise the bank accordingly and request the bank to dispose of the stock.

"Please advise the Board as to the developments in the matter."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. H. R. Stone, President of The First National Bank of Belfast, Maine, reading as follows:

"This refers to your undated letter requesting advice as to whether The First National Bank of Belfast, under the permission granted to it by the Federal Reserve Board in its letter of November 9, 1933, authorizing the bank to act as trustee and in certain other fiduciary capacities 'only in the specific trusts in which the City National Bank, Belfast, Maine, had been appointed and was acting on the date The First National Bank of Belfast was authorized to commence business by the Comptroller of the Currency', may act in two trusteeships as to which the City National Bank had been appointed by the court but as to which it was not acting on the date The First National

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"Bank of Belfast was authorized to commence business.

"While it is apparent from the information you have submitted that the City National Bank had been appointed to the trusteeships referred to above prior to the time The First National Bank of Belfast was authorized to commence business, it does not appear from such information that the City National Bank had at that time qualified to act under such appointments or was acting in any way in the administration of such trusts. In the circumstances, The First National Bank of Belfast is not authorized under the permission granted by the Board on November 9, 1933, to act in those trusteeships. I regret that the pressure of other matters of urgent importance arising under the Banking Act of 1933 has prevented an earlier reply to your letter."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to "The Merchants National Bank of Terre Haute", Terre Haute, Indiana, reading as follows:

"Reference is made to your application for permission to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"The Federal Reserve Board has considered this application and authorizes your bank 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 Indiana, only in the specific trusts in which the Terre Haute Trust Company, Terre Haute, Indiana, had been appointed and was acting on the date The Merchants National Bank of Terre Haute was authorized by the Comptroller of the Currency to commence business, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. Action has been deferred upon your application for full fiduciary powers until an examination of your institution has been made and a report thereof is available.

"It is understood that you intend to take over only such trusts from the Terre Haute Trust Company as are desirable. In pursuance of this policy, the Board feels that you should carefully scrutinize the condition of any of the trusts now held by the Terre Haute Trust Company which may be tendered you, and that you should not accept any of such trusts which through their assumption may be detrimental to your institution."

Approved.

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

"Receipt is acknowledged of your letter of February 21, 1934, submitting for the consideration of the Board the plan of the Princeton Bank and Trust Company, Princeton, New Jersey to adjust its capital structure by a reduction in common capital and the sale of preferred stock to the Reconstruction Finance Corporation.

"It is understood that the Princeton Bank and Trust Company is scheduled for an examination in the near future and that action by the Reconstruction Finance Corporation on the purchase of preferred stock in this institution will be deferred until such examination has been completed.

"The Board, therefore, will defer consideration of the proposed capital reduction until such time as a current report of examination is available, at which time it will be appreciated if, in submitting the usual analysis thereof to the Board, you will again bring the matter of the proposed capital reduction to its attention."

Approved.

Letter dated March 6, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to Assistant Federal Reserve Agent Fletcher's letter of February 3, 1934, recommending favorably the plan of reorganization of The Citizens Banking and Savings Company, Conneaut, Ohio, to resume operations as a member bank in the Federal Reserve System. In connection with such plan it is noted that the bank has reduced its common capital stock from \$125,000 to \$62,500, and increased its common capital stock to \$100,000, proposing to sell locally \$37,500 par value new common stock at a premium of \$7,500, the amount of the premium to be credited to surplus, and to sell at par to the Reconstruction Finance Corporation \$50,000 par value capital debentures. The plan also provides for the use of the released capital funds, together with approximately \$162,000 representing the amount of waived deposits, in eliminating substandard assets and securities depreciation of approximately \$218,400, and augmenting the surplus and undivided profits in the amount of approximately \$6,100.

"In connection with the proposed plan it appears that the bank has reduced its capital below the amount required for the organization of a national bank, contrary to the provisions of the Federal Reserve Act. However, in view of the fact that the bank is in the hands of a conservator and it is contemplated that its paid up capital will be increased to the required amount before the conservator-

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"ship is terminated, the Board, in accordance with your recommendation will raise no objection to the proposed reorganization and to the reduction of the bank's capital stock provided that before the conservatorship is terminated there is actually paid in to the bank an amount of new capital sufficient to increase the paid up unimpaired capital stock of the institution to at least \$100,000, and with the further understanding that the reorganization be effected in accordance with the plan approved by the Superintendent of Banks, by your office, and by your counsel."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Farmers National Bank of Seymour', Seymour, Texas, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital, together with \$17,500 from undivided profits, shall be used to eliminate approximately \$35,000 of undesirable assets and to establish a surplus account of \$7,500, all as set forth in your letter of February 27, 1934."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your letter of February 28, 1934, in regard to the proposed reduction and increase in capital of the First National Trust and Savings Bank of San Diego, San Diego, California, which was approved by the Board December 9, 1933 in accordance with your recommendation and subject to certain conditions as set forth in your letter of November 27, 1933, condition numbered two reading as follows:

'That the shareholders or others will make a voluntary contribution of \$500,000 in addition to the write-down of \$500,000 in common capital, and that no part of it shall come from the sale or liquidation of unacceptable assets.'

"On December 30, 1933 and in accordance with recommendation contained in your letter of December 27, 1933 the Board consented to the amendment of the foregoing condition to read as follows:

'That the shareholders and/or others will purchase for cash assets aggregating \$300,000, such assets to be selected by a national bank examiner and an examiner of the Reconstruction Finance Corporation; and that earnings from September to

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"December 31, 1933 in amount of \$200,000 will be used to charge off a like amount of undesirable assets, but to remain the property of the bank."

"In accordance with your recommendation the Board now approves a further amendment of condition numbered two to read as follows:

'Certificates by the President or a Vice President and Cashier of the bank under oath and in form satisfactory to Agency Counsel stating that common stockholders of the bank have purchased for cash \$300,000 face value of loss assets selected by Agency Manager and have purchased additional items of \$200,000 face value classified as doubtful or loss, likewise selected by him. Said certificate shall also state that the payment to the bank for said last mentioned assets has been made in cash or by good paper, approved by Agency Manager less credits as follows: (1) Net earnings, of the bank from September 27, 1933 to December 31, 1933, and/or (2) collections from items classified either as doubtful or loss, and/or (3) doubtful or loss items secured satisfactorily to Agency Manager and so identified by him.'

"It is understood from informal discussions with your office that the last sentence of the amended condition quoted above is intended to mean that the assets classified as doubtful and loss aggregating \$200,000, which are to be purchased by the common stockholders of the bank, will be reduced by the amounts of the credits described in clauses 1, 2 and 3 of that sentence."

Approved.

Telegrams dated March 7, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the applications of the "Old National Corporation" and the "Investment and Securities Co.", both of Spokane, Washington, for voting permits under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organizations to vote the stock which they own or control in "The First National Trust and Savings Bank of Spokane", Spokane, Washington, and has authorized the issuance of a limited permit to each of the applicants for the following purpose:

"To act upon a proposal to change the name of such bank to First National Bank in Spokane, provided that such change of name shall be approved by the Comptroller of the Currency."

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The telegrams also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Old National Corporation and the Investment and Securities Co., limited voting permits in accordance with the telegrams.

Approved.

Letter to Mr. F. V. Grayson, Auditor of the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of January 31, 1934, containing suggestions and recommendations with regard to certain procedure and records in the offices of the Fiscal Agent and the Assistant Secretary of the Federal Reserve Board, which have been considered carefully and the following comments are made with reference to the paragraphs of your letter that require action:

ACCOUNT CURRENT:

"Instructions will be given to discontinue this report after the preparation of such report for the period ending December 31, 1933.

DAILY STATEMENT:

"A letter has been prepared requesting the Federal Reserve Bank of Richmond to furnish the Fiscal Agent with a daily statement of the account 'Federal Reserve Board - Fiscal Agent'.

CHECK ENDORSEMENTS:

"The Fiscal Agent will be authorized to endorse checks deposited by him in the form he suggested.

SALARY PAYMENTS:

"It is our purpose to adopt as soon as convenient a method of salary payments to conform as nearly as practicable with the present Government practice.

ASSESSMENT NOTICES:

"Instructions will be given to make available to you all assessment notices, contracts, leases, etc., at the time of each audit.

BUDGET:

"A further study will be made of the present set up of the budget books and reports with the view to making the changes suggested by you.

DUPLICATION OF RECORDS:

"Your suggestion that the 'Voucher Book' in the office of the Assistant Secretary be discontinued will be followed. The matter of the card record in that office will be given further study with the view to making such modifications as will require the minimum number of entries. We also propose to have the entries

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"made from the duplicate vouchers, so that the original vouchers will not be delayed in reaching the Fiscal Agent's office for payment.

CARBON COPIES OF CHECKS:

"Your suggestion that the carbon copies of checks be continued to be made for the present is concurred in.

DUPLICATE CHECK:

"The 'Duplicate Check Agreement' enclosed with your letter with the necessary changes in wording appears to cover all requirements, and the Fiscal Agent will be authorized to use this form of agreement when checks are destroyed or lost.

APPROVAL OF EXPENSE VOUCHERS:

"A separate letter is being sent you, giving the names of those authorized to approve expense vouchers, and a copy will be furnished the Fiscal Agent for his guidance.

"We wish to thank you for your suggestions and recommendations, which have been a great help to us."

Approved.

In connection with the statement contained in the above letter that instructions will be given to discontinue the quarterly account current after the preparation of such report for the period ending December 31, 1933, there was presented a memorandum from Mr. Morrill, which had been circulated among the members of the Board, under date of February 28, 1934, stating that it would seem advisable to amend Article VIII of the by-laws of the Board, which prescribes the duties of the Fiscal Agent, by eliminating therefrom Section 5 of the article, which provides for the preparation of the quarterly account current, and renumbering the present Sections 6 and 7 as Sections 5 and 6, respectively.

The suggested amendment was approved.

There was presented a memorandum dated February 23, 1934, from Mr. Morrill, which had been prepared in accordance with the action taken at the meeting on February 7, 1934, presenting for consideration an amendment to Article IX of the by-laws of the Federal Reserve Board which would provide for the countersigning of checks on the Gold Settlement

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Fund and the Federal Reserve Agents' Fund by the Secretary or an Assistant Secretary in the absence or disability of the Governor or Vice-Governor. Consideration was also given to a memorandum dated February 24, 1934, from Mr. Thomas suggesting that Article IX be amended so as to provide for the countersigning of such checks by the Secretary or an Assistant Secretary in the absence or disability of the Governor, the Vice-Governor, or active executive officer of the Board.

After discussion, it was decided to make no change in Article IX of the by-laws.

Letter dated March 7, 1934, signed by Governor Black, to Mr. Herman Oliphant, General Counsel to the Secretary of the Treasury, reading as follows:

"Referring to your letter of March 1, the Board has noted with approval the textual changes in the plates from which bank notes are printed recommended in the report dated February 16 inclosed with your letter. The Board has some doubt as to the desirability of retaining the words 'redeemable in lawful money' in the legend on the currency but understands that the Treasury Department desires to retain these words in order to comply with existing law.

"The Board would prefer not to print any more Federal Reserve Bank notes from plates designed for the printing of National bank notes and, therefore, hopes that the report relating to the design and text of the new plates for Federal Reserve Bank notes, referred to in the second paragraph of your letter, will be submitted at an early date so that any future printings of Federal Reserve Bank notes may be made from the new plates."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"This is in reply to your memorandum of January 17, 1934, which has specific reference to the conservator of The Garden City National Bank, Garden City, Kansas, but in which you ask the Board to advise the various Federal reserve banks generally that if they desire to do so they may continue to carry the accounts of a conservator even after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator.

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"Your letter states that the conservator of The Garden City National Bank has recently redeemed the bank's stock in the Federal Reserve Bank of Kansas City and that it is contemplated that the conservatorship will soon be terminated in order that the old bank may be returned to its Board of Directors for the sole purpose of entering into a contract under which the remaining liabilities of the old bank will be assumed by a newly organized bank pursuant to a plan of re-organization. It is understood that your letter refers to the 'General Accounts' carried by conservators pursuant to the instructions issued by your office under date of April 4, 1933.

"Although Federal reserve bank stock may not under the law be transferred or hypothecated, the proceeds thereof upon surrender and cancellation in a case such as you describe may be applied by the Federal reserve bank in payment for stock issued to the new bank, if this is properly authorized; and it is usually possible to arrange to obtain the proceeds of the stock of the old bank at or about the time stock is issued to the new bank. It is not entirely clear therefore, why it is necessary in cases such as you describe to surrender the stock standing in the name of the old bank prior to the organization of the new bank. However, in cases in which the Federal reserve bank is satisfied that it is necessary in the furtherance of the organization of a new member bank to succeed to the business of a national bank in the hands of a conservator, under a plan which has been actively instituted prior to cancellation of the Federal reserve bank stock of the old bank, the Federal Reserve Board will interpose no objection to the continued maintenance of the conservator's general account with the Federal reserve bank and acceptance of deposits therein for such period of time as may reasonably be required for the consummation of the plan and in no event after the completion of the organization of the new bank or after the date upon which it becomes evident that the plan will not be consummated.

"Copies of this correspondence are being furnished to all Federal reserve banks for their information."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to the Secretary of the Treasury reading as follows:

"This refers to the letter dated February 6, 1934, from your Administrative Assistant, William H. McReynolds, inviting an expression of the views of the Federal Reserve Board on S. 1931, which was introduced by Senator Costigan on June 6 (calendar day, June 12), 1933, and which would amend Sections 1, 3, 4, 5, 6, 7, 8, 9, and 10 of the Act entitled 'An Act to establish Postal Savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes', approved June 25, 1910, as amended and supplemented.

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"The proposed bill is designed, among other things, to effect a change in the personnel of the board having supervision and control of Postal Savings depository offices and to transfer to such board certain powers now delegated to the Postmaster General. The bill would establish checking facilities under certain conditions, would increase the size of accounts which may be carried in the Postal Savings System, and would authorize the governing board to fix the rate of interest which may be paid on funds deposited in the System. One of its primary purposes is to authorize and to require Postal Savings depository offices to accept subscriptions to, and to effect purchases and sales of, bonds issued or unconditionally guaranteed as to principal and interest by the United States.

"Inasmuch as the subject is one which has not fallen within its province, the Board has not adequate information to enable it to determine whether it is desirable to authorize and require Postal Savings depository offices to accept subscriptions to, and to effect purchases and sales of, Government bonds. Accordingly, it does not feel prepared to express an opinion on that subject, and will confine its comment to certain provisions of the bill which it believes may adversely affect the banking system of the United States.

"It is believed that the bill, if enacted, would tend to bring the Postal Savings System into destructive competition with State and national banking institutions, and, accordingly, it is the view of the Federal Reserve Board that its enactment would not be in the public interest. The provision which would grant to the governing board authority to fix the rate of interest which might be allowed on accounts in Postal Savings depository offices, and particularly the provision which would increase from \$2500 to \$5000 the size of accounts which might be carried in the Postal Savings System and authorize the President, if he should find it in the public interest, to increase from time to time the maximum balances that might be held in Postal Savings accounts, would constitute an unwise encroachment upon the field of private banking enterprise and represent a departure from the primary purpose of the System to provide facilities for the class of patrons who are unable to secure adequate accommodations elsewhere.

"Although flexibility in the matter of fixing the interest rate may be desirable, the possibility of abuse of the authority to fix such rate and of consequent injury to State and national banking institutions from resultant competition is an important objection to the proposal to vest in the governing board the authority to prescribe the interest rate. In regard to the provision which would increase the size of accounts which may be carried in the System and which would empower the President to authorize additional increases from time to time, it is the view of the Board that the present limitation is entirely adequate to accommodate substantially all of the persons whom the System is intended to benefit, and that an increase in such limitation is unnecessary and unwise. Although the System is designed primarily to aid persons in the low income group, an increase in the limitation in respect to the size of accounts

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"would be of material benefit only to persons of the wealthier classes and would enable them to use the System for hoarding during times of uncertainty to the detriment of banking institutions throughout the country. The harmful consequence of any such use is clearly revealed by the history of the past few years, and the tendency of future legislation should be to eradicate, and not to encourage, that evil.

"It is assumed that the provision of the bill which would empower the governing board, under certain conditions, to authorize Postal Savings depository offices to receive non-interest bearing checking accounts is intended to restrict the establishment of checking facilities to localities in which banking facilities for checking accounts may be inadequate, but it is not clear that this is the proper construction of the provision under discussion. On this point doubt may arise, since the bill in its present form provides that the board, if it finds the banking facilities for checking accounts inadequate in any locality, may authorize any Postal Savings depository to receive non-interest bearing checking accounts, subject to a reasonable service charge, and does not expressly limit the authority of the board to establish checking facilities in localities in which banking facilities for checking accounts are found to be inadequate. Theoretically, of course, the establishment by the Postal Savings System of checking facilities in localities lacking adequate banking facilities for checking accounts would appear to be in the public interest, but the latent danger of misuse of this privilege, the harm which might result from an inability to require the relinquishment by Postal Savings depository offices, once the privilege is granted, of authority to accept checking accounts in the event of the establishment in the same locality of adequate banking facilities by private enterprise, and the obstacles which would confront private capital in any attempt to enter a locality occupied by the Government, lead to the conclusion that it would be extremely unwise to grant authority to establish checking facilities in the absence of proper safeguards and restrictions which are not contained in the proposed bill.

"For the reasons stated, the Board does not believe that the scope of operation of the Postal Savings System should be extended in the manner proposed and, accordingly, the Board does not favor the enactment of the bill S.1931. In this connection, the Board has been advised that in a letter to the Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, under date of January 15, 1934, the Postmaster General advised the Chairman of the Committee that he believed the enactment of S.1931 is not advisable, 'as it would involve the Postal Savings System in the banking business and would greatly increase the cost of administration'."

Approved.

Letter to the Chairman of the Banking and Currency Committee of

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the Senate, prepared for the signature of the Secretary of the Treasury in response to the request contained in a letter dated February 26, 1934, from Mr. William H. McReynolds, Administrative Assistant to the Secretary. The letter, approved by five members of the Board on March 7, 1934, read as follows:

"This refers to the letter of February 22, 1934, from the Acting Clerk of the Senate Committee on Banking and Currency, in which a report is requested on S.2850, entitled 'A Bill to amend section 13 of the Federal Reserve Act'. This bill would amend the third paragraph of said Section 13 so as to authorize any Federal reserve bank to discount for individuals, partnerships, or corporations, notes, drafts, or bills of exchange which are indorsed and/or secured to the satisfaction of the Federal reserve bank, in lieu of the existing requirement that paper so discounted be both indorsed and secured.

"Under Section 13 of the Federal Reserve Act, as amended by the Act of July 21, 1932, the Federal Reserve Board, in unusual and exigent circumstances and by the affirmative vote of not less than five members, may authorize any Federal reserve bank during such periods as the Board may determine to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks, when indorsed and otherwise secured to the satisfaction of the Federal reserve bank and when such individual, partnership, or corporation has been unable to secure adequate credit accommodations from other banking institutions. Pursuant to the authority of this amendment to the law, the Federal Reserve Board authorized such discounts by any Federal reserve bank for a six months' period beginning August 1, 1932, and has renewed such authorization from time to time so that it has been in effect continuously and is still in effect. Under this authority Federal reserve banks have discounted for individuals, partnerships, and corporations, notes, drafts and bills of exchange in the amount of \$1,371,000, of which \$339,000 was outstanding on February 28, 1934.

"On account of the requirement that paper so discounted be both indorsed and secured it has been necessary for the Federal reserve banks to decline to make such discounts in cases where it might otherwise have been possible to do so. It sometimes happens that an individual, partnership, or corporation which may be desirous of discounting paper directly with a Federal reserve bank can furnish satisfactory indorsement of the paper to be discounted, or satisfactory security, but is unable to furnish both the indorsement and security; and in such cases the discount may not lawfully be made. The Treasury Department believes that if the law should be changed so as to authorize a Federal reserve bank to require

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"either satisfactory indorsement or satisfactory security, or both, the Federal reserve banks would be able to extend credit to individuals, partnerships, or corporations in cases where they now have no such authority; and such a liberalization of this method of affording credit to industry would seem to be desirable under existing conditions. Inasmuch as it would still be necessary after such amendment to the law for the borrowers to furnish either satisfactory indorsement or satisfactory security, it is believed that the Federal reserve banks would be adequately protected in making such advances.

"For the reasons stated, the Treasury Department would favor the enactment of the bill S.2850."

Approved.

Letter dated March 7, 1934, to Mr. Philip Lehman, New York, New York, prepared in accordance with the action taken at the meeting of the Board on March 2, 1934, and approved by five members of the Board, reading as follows:

"The Federal Reserve Board has given further consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Corn Exchange Bank Trust Company, New York, New York, a member bank, and as a partner in the firm of Lehman Brothers, a dealer in securities, in the light of advice received through the Federal Reserve Agent at the Federal Reserve Bank of New York that the arrangement under which the bank participated with the firm in accounts formed to bid for State, county and municipal securities, has been terminated.

"After the most careful study, the Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that Lehman Brothers is engaged primarily in the underwriting, flotation and distribution of securities, and that therefore the relationship covered by your application is within the

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"class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application, even though nothing has been called to its attention which would reflect in any degree upon your desirability as a director of the bank, except that the relationship covered by your application is within the prohibitions of Section 32.

"Copies of this letter are being sent to Lehman Brothers and Corn Exchange Bank Trust Company for their information and records."

Approved.

Letter dated March 7, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of Mr. McAdams' letter of February 24, 1934, inclosing a copy of a letter addressed to Mr. M. D. Thatcher by Mr. Robert S. Gast, counsel for the First National Bank, Pueblo, Colorado, and a copy of Mr. McAdams' letter to Mr. C. C. Parks, regarding Mr. Thatcher's service of the First National Bank of Pueblo, the Pueblo Savings and Trust Company, the First National Bank of Denver, and the International Trust Company of Denver. The Board understands that all of the stock of the International Trust Company is owned by stockholders of the First National Bank of Denver, and therefore, as Mr. Gast points out, the service of Mr. Thatcher as a director of the International Trust Company would not come within the provisions of Section 8 of the Clayton Act because of the second proviso in that section, which reads as follows:

"Provided further, That a director or other officer or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States or any State where the entire capital stock of one is owned by stockholders in the other."

"It is noted, however, that Mr. Gast concludes that, because of this proviso, Mr. Thatcher's service to the International Trust Company of Denver also does not fall within the provisions of Section 8A of the Clayton Act. After careful consideration, the Federal Reserve Board has already come to the conclusion that this proviso in Section 8 is not applicable to the provisions of Section 8A. In this connection, see Section IV of the Board's Regulation L.

"Accordingly, Mr. Thatcher's service to these four institutions would appear to fall within the prohibitions of Section 8A, unless a permit therefor were issued by the Federal Reserve Board. Since the Board is not authorized to issue a permit covering more than three banking institutions, it would be necessary for Mr. Thatcher to sever his connection with one of the four institutions named in

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"order to bring his service within the requirements of the Act. In short, it appears that the position taken in Mr. McAdams' letter to Mr. Parks is correct."

Approved.

Memorandum dated February 27, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending, for the reasons stated in the memorandum, that State member banks be required to furnish, at an early date, for the confidential use of the Federal reserve banks and the Board, a report showing the market or appraised values, as well as book values, of their loans and investments and of bank premises and other real estate, together with a summary showing the effect of probable losses on their capital accounts, and that the form attached to the memorandum be sent to State member banks as promptly as practicable and the member banks advised to make out and submit a report thereon as of March 31, 1934. The memorandum also stated that, while it is not felt that any instructions should be given to member banks at this time relative to the publication of reports reflecting their true condition, it is believed that, beginning with some call date this year, market or appraised values should be shown in published reports, and that directors should be required, in connection with each published report, to sign a certification similar to that recommended in the form attached to the memorandum.

Approved.

Governor Black referred to the action taken at the meeting on February 23, 1934, in deferring action in connection with the salaries of certain officers of the Federal Reserve Banks of New York, Chicago, and St. Louis, and he reviewed, for the information of Mr. James, Chairman of the Committee on Salaries and Expenditures, the consideration which had

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been given by the members of the Board to these matters during Mr. James' absence. Mr. James stated that since his return to Washington he had made a careful comparison of the salaries at the Federal Reserve Bank of New York and other Federal reserve banks and was still of the opinion that the position taken by the Board at the meeting on January 22, 1934, with regard to the salaries of officers of the Federal Reserve Bank of New York is the proper one. He also stated that, in view of the Board's responsibility of approving salaries under the provisions of the Federal Reserve Act, it was obliged to consider the salaries at all Federal reserve banks and that, in his opinion, further increases in the salaries of officers of the Federal Reserve Bank of New York are unwarranted on the basis of the services rendered.

A discussion ensued, during which Mr. Szymczak stated that he felt it would be well for the Board to give consideration to the possibility of devising some satisfactory procedure whereby prospective changes in salaries of officers may be considered and views exchanged between the Federal reserve banks and the Board before the Board is called upon to take formal action. He suggested that the matter be taken up again considerably in advance of the end of the year. All of the members present expressed agreement with Mr. Szymczak's suggestion.

At the conclusion of the discussion, Mr. James moved that the Secretary be requested to prepare, in the light of the discussion at this meeting, a letter to the Chairman of the Federal Reserve Bank of New York, advising that the Board feels that no departure should be taken from its previous action with regard to salaries of officers of the Federal Reserve Bank of New York, as set forth in the Board's letter of January 23, 1934.

Carried.

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Mr. Szymczak stated that while Governor Schaller was in Washington recently in connection with the Governors' Conference he had discussed the recommendation of the board of directors of the Federal Reserve Bank of Chicago as set forth in Mr. Stevens' letter of January 26, 1934, that the Board reconsider its action with regard to the salaries recommended for Messrs. C. R. McKay, H. P. Preston, J. H. Dillard, and A. L. Olson, and that Governor Schaller had stated that, while he felt the increased salaries recommended were justified, he would not want to recommend anything inconsistent with the Board's general policy regarding salaries.

Mr. Szymczak moved that the Secretary be requested to prepare a letter to the Chairman of the Federal Reserve Bank of Chicago advising that the Board feels that no departure should be taken from its previous action with regard to salaries of the four officers referred to.

Carried.

Consideration was then given to the letter dated February 7, 1934, signed by the directors of the Federal Reserve Bank of St. Louis, stating the feeling of the directors that the adjustment to the rate of \$12,000 per annum in the salary of Mr. J. G. McConkey, Deputy Governor and General Counsel, should be made, and the opinion was expressed that, in the light of the information contained in the letter, the increase in Mr. McConkey's salary was justified.

Mr. Hamlin moved that the salary at the rate of \$12,000 per annum, recommended by the directors for Mr. McConkey for the year 1934, be approved.

Carried.

There were presented memoranda dated February 24, 1934, prepared by Mr. Smead in accordance with the action taken at the meeting on February

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23, 1934, and circulated among the members of the Board, giving a comparison of the Federal reserve retirement plan with the plans adopted by the United States Government and containing information with regard to the probable cost to the Board of participation in the retirement system. Mr. James, as Chairman of the Committee on Salaries and Expenditures, stated that he had reviewed carefully the memoranda submitted by Mr. Smead and that, as the Federal government had provided a retirement system for its employees, he felt that the Board should make the benefits of the Federal reserve retirement plan available to its employees.

Mr. James then moved that the Board adopt, as of March 1, 1934, the rules and regulations of the retirement system of the Federal reserve banks and agree to make the contributions called for by the plan to be made by the Board as an "employing bank" within the meaning of the rules and regulations.

Carried, Messrs. Miller and
Thomas voting "no" and Mr. O'Connor
not voting.

Mr. Miller stated in explanation of his vote that he was not opposed to the retirement system as such, but that there were certain features of the plan which he felt were objectionable, particularly the smaller benefits for the lower salaried employees as compared with the benefits for such employees under the classified civil service and the fact that disability benefits are provided after one year's service whereas such benefits are not available under civil service plan until after five years' service. Mr. Thomas stated that he was in agreement with the views expressed by Mr. Miller.

Further consideration was then given to the memorandum dated February 20, 1934, prepared by Mr. Wyatt in accordance with the action taken at the meeting of the Board on February 1, 1934, following the consideration of the application of the Tradesmens National Bank of New Haven, Connecticut for trust powers. The memorandum referred to the Board's previous

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rulings to the effect that, for the purpose of granting trust powers to national banks, the aggregate of the capital and surplus of the applicant may not be considered, but that the capital and surplus separately must equal the amounts of capital and surplus respectively required of competing State institutions exercising trust powers, and stated that it is not believed that the provision of Section 11(k), upon which the Board's ruling was based, must necessarily be so construed, but that such provision of law properly may be construed as authorizing the Board to grant permission to a national bank to exercise trust powers which has an aggregate capital and surplus equal to the aggregate capital and surplus required of State institutions exercising trust powers. The memorandum stated further that, if the Board should decide not to adhere to its previous ruling, it would seem desirable, as a practical matter, not to grant trust powers to a national bank unless it has at least the amount of capital stock required of State institutions, together with an aggregate capital stock and surplus equal to the aggregate capital stock and surplus required of such State institutions, and only to permit the aggregation of capital and surplus in those cases where the surplus of the national bank is less than the surplus required of State institutions, provided, of course, that in any case the national bank should have an adequate surplus. In connection with Mr. Wyatt's memorandum, there was also presented a memorandum dated March 3, 1934, from the Comptroller of the Currency recommending that the Board take the position that the words "capital" and "surplus" as used in Section 11(k) with respect to national banks shall mean the aggregate capital and surplus, and that if such aggregate meets the total requirements of the State law with regard to

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capital and surplus, the Board will grant the permit subject, of course, to any other conditions which might be present.

After a brief discussion, the position referred to in Mr. Wyatt's memorandum was adopted as the policy of the Board, and Counsel was requested to prepare a letter to the Federal Reserve Agent at Boston advising of the new policy and stating that, inasmuch as the applicant bank has not been examined, the Board will defer action on its application, pending receipt from the Federal reserve agent of a further recommendation following an examination of the bank.

The Governor presented a letter dated March 7, 1934, from Mr. Burgess, Secretary of the Federal Open Market Committee, inclosing a copy of the minutes of the meeting of the committee held in Washington on March 5, 1934. The minutes read in part as follows:

"There ensued a discussion of the maturities of securities held in the System Account. It was pointed out that approximately \$150,000,000 of the holdings would mature on March 15, and that at that time the Treasury would probably issue in exchange a Treasury note of several years' maturity. The question was raised whether the System should be prepared to reduce its holdings of nearby maturities by exchanging the maturing issue for notes. It was noted in this connection that nearby holdings were unusually large in view of the uncertainties of the recent period. In the course of this discussion the opinion was expressed by a number of those present that the exchange suggested should not be considered a precedent to be followed so far as to reduce below a round amount the nearby maturities in the account. It was agreed that it would be desirable to continue to maintain a large amount of very short issue, so as to be prepared to dispose of securities rapidly if the occasion should arise. It was then

"VOTED to convert the whole or any part, as might be determined by the executive committee, of the \$150,000,000 of March maturities into any new note offering which might be offered by the Treasury.

"It was then pointed out that the System held \$59,000,000 of Fourth 4 1/4 Liberty bonds which had been called for redemption on April 15 next, and in view of the possibility that a bond issue might be offered by the Treasury in replacement of these maturing bonds the System's policy with respect to maintaining its bond

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"holdings might be considered. After discussion it was

"VOTED that the executive committee be given authority to replace the whole or any part of the Fourth 4 1/4s called for redemption on April 15 with securities of such maturities as the committee may determine.

"The secretary reported that, in view of considerable difficulty that was being experienced in replacing current maturities of Treasury bills with short obligations, the executive committee had agreed when necessary to replace a small portion of the maturities with longer term issues.

"In view of the fact that the amount of holdings in the System Account had not been changed for some weeks and in view of the very large and increasing excess of reserves of member banks question was raised as to continuation of authority for purchases remaining in the hands of the executive committee, and after consideration it was

"VOTED that the authorization to the executive committee for the purchase of government securities, renewed last on October 10, be reduced to \$100,000,000."

In this connection, Governor Black stated that Mr. Burgess had advised him that the Executive Committee of the Federal Open Market Committee had been canvassed and that the suggestion had been made that \$100,000,000 of the March 15 maturities be converted into the securities which will be issued by the Treasury Department on that date and the balance of \$50,000,000 reinvested in short term issues. Governor Black also stated that, so far as he had been advised, no action had been taken with regard to the second resolution adopted by the Federal Open Market Committee.

Consideration was then given by the Board to the action taken by the Federal Open Market Committee in reducing the authorization to the executive committee for the purchase of Government securities to \$100,000,000.

The Secretary was requested to advise Mr. Burgess that the Federal Reserve Board approves the authorization to the executive committee in the reduced amount, and that the other actions of the Federal Open Market Committee had been noted with approval.

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In connection with the above, Governor Black stated that Governor Schaller of the Federal Reserve Bank of Chicago had advised that the bank holds in its own investment account \$10,000,000 of Government securities maturing on March 15; that the suggestion had been made at the bank that the securities should not be replaced; and that he had stated to Mr. Schaller, as his personal opinion, that he felt the bank's investment account should not be reduced just at this time and that the March 15 maturities should be replaced with short term issues.

Governor Black then reviewed, for the information of Mr. James, the consideration which had been given by the Board to the application of Mr. Phillip Lehman under the provisions of section 32 of the Banking Act of 1933, and to the policy which had been adopted by the Board with regard to the granting of permits under that section.

At the conclusion of the Governor's statement, Mr. O'Connor left the meeting.

There was presented again the memorandum dated February 15, 1934, from Mr. Chase, Assistant Counsel, and Mr. Tyler, Special Assistant Counsel, which was considered at the meeting of the Board on March 2, with regard to the seven applications of officers and directors of member banks in New York for permission under the provisions of section 32 of the Banking Act of 1933 to serve at the same time as directors of the Discount Corporation of New York. Further consideration was given to the activities of the Discount Corporation in purchasing and selling Federal reserve funds and the opinion was expressed that the activities should be regarded by the Board as obstructing the performance of the

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functions of the Federal reserve banks and that, for that reason, the present applications should not be approved and the Board should not permit the New York member banks involved to act as correspondent banks for the Discount Corporation or the corporation to act as a correspondent dealer for the member banks.

At the conclusion of the discussion, upon motion by Mr. Miller, Counsel was requested to prepare a letter to the Federal Reserve Agent at New York in accordance with the above opinion.

At this point Mr. Miller left the meeting.

Governor Black referred to the bill now under consideration which provides for the creation of credit banks for industry and he stated that a study is being made of suggestions, for incorporation in the bill, which would authorize the credit banks to service corporations and business concerns in an attempt to restore them to a satisfactory operating basis, and which would authorize the Federal Reserve Board to levy assessments on the credit banks to defray expenses incurred by the Board in connection with the credit banks.

Governor Black also stated that consideration is being given to the suggestions as to changes in the bill which were made by the governors of the Federal reserve banks at their recent conference with the Board.

After a reference by Governor Black to certain objectionable features of the stock-exchange bill, now under consideration by Congress, Mr. Wyatt stated that in a conversation yesterday with Mr. Thomas G. Corcoran, one of the drafters of the bill, Mr. Corcoran had advised that the bill would be withdrawn and a new bill drafted which would eliminate matters which were severely criticized during hearings on the bill, and

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a substitute bill would be ready within the next few days.

After a brief discussion, it was understood that for the present the staff would continue with the preparation of its report to the Board on the basis of the bill in the form now before Congress.

Letter dated March 7, 1934, approved by five members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Henry Meuschke, for permission to serve at the same time as a director and officer of the Hill Top Savings and Trust Company, Pittsburgh, Pennsylvania, as a director of The Iron and Glass Dollar Savings Bank of Birmingham, Pittsburgh, Pennsylvania, and as a director and officer of the First National Bank of Castle Shannon, Castle Shannon, Pennsylvania.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
First National Bank in Greensburg, Greensburg, Pennsylvania	300	300
<u>District No. 5.</u>		
First National Bank in Philippi, Philippi, West Virginia	38	38
<u>District No. 7.</u>		
The Hillsdale County National Bank of Hillsdale, Hillsdale, Michigan	36	36
<u>District No. 8.</u>		
First National Bank in Newton, Newton, Illinois	36	36
	<u>36</u>	<u>36</u>
	Total	410
<u>Application for SURRENDER of Stock:</u>		
<u>District No. 3.</u>		
First National Bank of Haddon Heights, Haddon Heights, New Jersey	90	90

Approved.

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Thereupon the meeting adjourned.

Robester Mowell
Secretary.

Approved:

E. R. Black
Governor.