

A meeting of the Federal Reserve Board was held in Washington on Tuesday, March 27, 1934, at 11:30 a. m.

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

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

Mr. Austin, Chairman of the board of directors of the Federal Reserve Bank of Philadelphia, Messrs. G. W. Reily, C. F. C. Stout, A. W. Sewall, J. C. DeLaCour, and H. L. Cannon, directors of the Philadelphia bank, and Mr. Norris, governor of the bank, were also present and the question whether the official staff of the Philadelphia bank needs strengthening by the addition thereto of an experienced bank executive was discussed.

Particular reference was made during the discussion to Mr. W. H. Hutt, Deputy Governor, and Mr. C. A. McIlhenny, Deputy Governor and Cashier, and Mr. Norris stated that in the event of his absence for six months or more he would have no hesitation in placing the bank in the hands of Mr. Hutt. Mr. Austin stated that he felt that Mr. Hutt would be a satisfactory man to act as governor of the bank should that position become vacant. Mr. Hamlin, however, stated that, in a conversation in his office with Mr. Thomas and himself together with Mr. Morrill, Governor Norris had stated that he was not prepared to say that Mr. Hutt should be

3/27/34

-2-

designated to act in that capacity if Governor Norris should be unexpectedly disabled for as much as six months.

Each of the directors present was requested to express his opinion in connection with the matter, and each stated that he felt that, with the addition of Mr. Sinclair as Deputy Governor, and the recommended promotions of Messrs. McIlhenny, Davis, Donaldson and Morris, the bank would be adequately officered; that Messrs. Hutt and McIlhenny were discharging efficiently their duties at the bank and that no further additions to the official staff of the bank were necessary. Some of the directors stated that because of his close study of, and familiarity with, conditions in the district and the problems of the bank and its member banks, Mr. Hutt is better qualified to discharge the duties of deputy governor than an outside man with executive banking experience would be, and that Mr. Hutt is a decided asset to the bank. It was also stated by some of the directors that they had not given consideration to whether Mr. Hutt should be appointed Governor of the bank if and when Governor Norris vacates that position.

Governor Black stated that there was no thought on the part of the Board that Mr. Hutt or any of the other officers in the bank should be replaced, and that the directors had been invited to Washington solely for the purpose of discussing with them the question whether or not the official staff of the bank should be strengthened.

In his statement Governor Norris said that at the time of the last examination of the Federal Reserve Bank of Philadelphia Mr. Drinnen, Federal Reserve Examiner, had made no material criticisms of the bank or

3/27/34

-3-

its operation, but Mr. Drinnen reminded Governor Norris that, following the examination, he had stated to Governor Norris and Mr. Austin that the bank liquidation department should receive the undivided attention of one officer, that the bank was lacking in potential official timber, and that there were certain personnel weaknesses in the auditing department which might well be eliminated. Governor Norris replied that the bank liquidation department had been placed under the supervision of Mr. Sinclair as Deputy Governor, and that other suggestions made by Mr. Drinnen were being considered.

During, and as a part of the discussion of the above matter, the procedure followed at the Federal Reserve Bank of Philadelphia in passing on applications of member banks for discounts was referred to, and Governor Norris stated that, following an analysis of the applications they were submitted to Mr. Hutt, who approved all clear cases and sent the doubtful cases to Governor Norris and Mr. Austin for consideration and, when necessary, for discussion by the three officers, who serve as a discount committee. Governor Norris also stated that the Comptroller of the bank, as a representative of the board of directors, reviews the discounts made by the bank. Later, in response to questions by Mr. Hamlin, it appeared that the Comptroller is not a credit man and has had no credit experience. It was pointed out that under Section 4 of the Federal Reserve Act, one of the primary responsibilities of the board of directors of a Federal reserve bank is the extension to member banks of such discounts, advancements and accommodations as may be safely and reasonably made, and Governor Black raised the question whether the

3/27/34

-4-

procedure followed by the Philadelphia bank in which directors do not participate and do not pass on applications for discounts, the responsibility of the directors was being discharged.

Governor Norris said that at the meetings of the board of directors or executive committee each week a list of all banks which were borrowing more than 10% of their deposits or more than twice the amount of their reserve balance with the Federal reserve bank were brought to the attention of the directors. During their statements some of the directors stated that they had been consulted on numerous occasions in connection with applications for discounts by member banks in their respective localities. Governor Black stated that this matter was being discussed with the directors, not with any thought of criticism, but in order that the directors may give careful consideration to their responsibility under the law.

At the conclusion of the discussion, Mr. Stout stated that he and directors Wayne and Sewall as a committee had given careful consideration to the official personnel of the Federal Reserve Bank of Philadelphia and that, having been actuated by the feeling that the official staff did need strengthening in some respects, had recommended the appointment of Mr. Sinclair as Deputy Governor and the other promotions on which the Federal Reserve Board had not yet taken action, and that it is felt by the directors that, if these changes are approved, the bank will have a well-rounded organization adequately prepared to take care of the work of the bank. The representatives of the Federal Reserve Bank of Philadelphia then left the meeting.

3/27/34

-5-

It was understood that the Committee on District No. 3 would give further consideration, in the light of the discussion at this meeting, to the recommendations made in Mr. Austin's letter of December 6, 1933, and submit a recommendation with regard thereto at a meeting of the Board to be held tomorrow.

Governor Black stated that in accordance with the action taken at the meeting of the Executive Committee on March 23, 1934, with regard to the question whether the Board should request Mr. Pole, Special Adviser to the Board, to make a survey of banking and other conditions in Alaska and Hawaii, he had talked over the telephone with Governor Calkins of the Federal Reserve Bank of San Francisco regarding the matter, and had sent him a telegram, and that Governor Calkins had made the following reply under date of March 26, 1934:

"Replying your wire this date, we have an application from The First National Bank, Ketchikan, Alaska, which has been held up for considerable length of time pending decision as to examination. Cashier of that bank was in this office today and is extremely anxious to have matter determined. It appears to us that regardless of whether the other banks national and territorial apply application of First National Bank of Ketchikan should be considered and that the bank should be examined by this office or the Comptroller's examiner. There but two really important banks in Hawaiian Islands which serve the territory through branches, the other banks mainly in Honolulu being relatively unimportant. These two banks have tentatively discussed membership at various times extending over a number of years and have apparently always reached conclusion that they were not interested. It has appeared to us that there was no opportunity for us to urge membership unless or until they were convinced that it would be advantageous. Some recent incidents threatening to embarrass them because of lack of currency and the long time necessary to obtain it may lead them to reconsider the matter in which case they will doubtless feel that it would be necessary for us to establish a branch or an agency if they become members. Our counsel will return from Honolulu on the twenty ninth and may have picked up some information pertinent. If he has any will wire again."

Mr. Martin submitted a report which stated that he had communicated with the Reconstruction Finance Corporation and had been advised that, on

3/27/34

-6-

condition that the bank shall become a member of the Federal Reserve System, the Corporation had agreed to purchase class A preferred stock in the amount of \$125,000 in a new national bank proposed to be organized in the Virgin Islands, and to lend \$25,000 to interested parties with which to purchase class B preferred stock. The bank would have also common stock in the amount of \$12,500 and surplus in the amount of \$12,500, to be subscribed locally. The report also stated that the Corporation had requested that the Board advise whether it would be willing to give favorable consideration to the question of membership for the new bank with the understanding that a formal application will be filed later.

The telegram from Governor Calkins and Mr. Martin's report were referred to a committee consisting of Mr. James and Mr. Szymczak, with the request that the committee submit a recommendation thereon at a meeting of the Board tomorrow.

Governor Black presented a letter dated March 24, 1934, from Governor Schaller of the Federal Reserve Bank of Chicago, reading as follows:

"At a meeting of our Board of Directors, held March 23, 1934, the following matter was considered and this action taken:

'The advisability of allowing the April 15, 1934, maturities (called Fourth 4½% bonds) aggregating \$6,100,000, held in our own investment portfolio, to run off was thoroughly discussed, and UPON MOTION duly made, seconded and unanimously carried, the officers were directed to ask the Federal Reserve Board for authority to allow the Government securities referred to above to mature without reinvestment.'

"May I add that our Board feels that the need for continuing our holdings of Government securities in the present amount has passed, since the public is eager to purchase at a very low yield.

3/27/34

-7-

"It is further felt that we would better serve our bank, the public, and our Government by permitting early maturities to run off and thereby place this bank in a position to do its full part by coming back into the market when there is a greater need for funds by the Treasury.

"Asking your consideration of the above, and awaiting your advice and the permission of your Board, I am"

Attention was called to the fact that a meeting of the executive committee of the Federal Open Market Committee had been called to meet in Washington on Monday, April 2, 1934, and Governor Black stated that, if agreeable to the other members of the Board, he would discuss the subject matter of the above letter with Governor Schaller while he is in Washington in attendance at that meeting. The other members of the Board expressed agreement with Governor Black's suggestion.

The Board then considered and acted upon the following matters:

Memorandum dated March 23, 1934, from Mr. Paulger, Chief of the Division of Examinations, submitting and recommending acceptance, as of March 31, 1934, of the resignation of Mr. R. Wilson Oster as an Assistant Federal Reserve Examiner.

Accepted.

Letter dated March 26, 1934, approved by five members of the Board, to the board of directors of the "Canton Trust Company", Canton, Massachusetts, reading as follows:

"In accordance with your request the Federal Reserve Board has extended until April 24, 1934 the time within which the Canton Trust Company may accomplish its membership in the Federal Reserve System. In view of the lapse of time since the date of the examination on which the charge-off or elimination of assets was originally prescribed, an additional condition of membership has been prescribed as follows:

21. Prior to admission to membership, such bank, without impairing its capital stock and without reducing its capital

3/27/34

-8-

"stock below the present amount of \$100,000 and its surplus below an amount equal to 20 per cent thereof, shall, in addition to the items listed in condition numbered 18 contained in the Board's letter of December 30, 1933 based on the report of examination of the bank as of October 16, 1933, charge-off or otherwise eliminate all other known losses and all depreciation in stocks, defaulted securities, and in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

"Acceptance of condition numbered twenty-one should, of course, be accomplished by the 'Canton Trust Company' in the same manner prescribed in the Board's letter of December 30, 1933, for the acceptance of the conditions of membership."

Approved.

Letter dated March 26, 1934, approved by five members of the Board, to the board of directors of the "Stoughton Trust Company", Stoughton, Massachusetts, reading as follows:

"In accordance with your request the Federal Reserve Board has extended until April 30, 1934 the time within which the Stoughton Trust Company may accomplish its membership in the Federal Reserve System. In view of the lapse of time since the date of the examination on which the charge-off or elimination of assets was originally prescribed, an additional condition of membership has been prescribed as follows:

24. Prior to admission to membership, such bank, without impairing its capital stock and without reducing its capital stock below the present amount of \$125,000 and its surplus below \$50,000, shall, in addition to the items listed in condition numbered 22 contained in the Board's letter of December 30, 1933 based on the report of examination of the bank as of November 4, 1933, charge-off or otherwise eliminate all other known losses and all depreciation in stocks, defaulted securities, and in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

"Acceptance of condition numbered twenty-four should, of course, be accomplished by the Stoughton Trust Company in the same

3/27/34

-9-

"manner prescribed in the Board's letter of December 30, 1933, for the acceptance of the conditions of membership."

Approved.

Telegram dated March 26, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Refer your telegram March 22 Board grants an extension of time to April 9, 1934 within which the State Bank of Aurora, Aurora, Minnesota may accomplish its admission to membership."

Approved.

Letter dated March 26, 1934, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to the analysis of the report of joint examination of the Central State Bank, McKinney, Texas, as of the close of business December 5, 1933.

"Under the caption 'Violations of the Federal Reserve Act, etc.' the examiner calls attention to the payment by the bank, in violation of Section 19 of the Federal Reserve Act, of interest on certain individual deposits which were not time deposits. It will be appreciated if you will advise the Board what steps have been taken to correct this practice, and whether the bank now fully understands and is complying in all respects with the provisions of the Federal Reserve Act and of Regulation Q regarding the payment of interest on deposits.

"Estimated losses as shown in the analysis impair the bank's capital severely. The application of the bank to the Reconstruction Finance Corporation for the purchase of \$50,000 capital debentures was approved January 16, 1934, but there is no record that the funds have been disbursed. In the circumstances, it is felt that the bank should obtain the additional capital funds and should also provide for the charge-off or other elimination of the estimated losses as soon as possible, and it will be appreciated if you will advise the Board what has been done in this respect."

Approved.

Letter dated March 26, 1934, to Mr. Curtiss, Federal Reserve

3/27/34

-10-

Agent at the Federal Reserve Bank of Boston, prepared in accordance with the action taken at the meeting of the Board on March 8, 1934, and approved by five members of the Board, as follows:

"This refers to your letter of January 5, 1934, with further reference to the application of The Tradesmens National Bank of New Haven, New Haven, Connecticut, for permission to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"Pursuant to your request, the Federal Reserve Board has carefully reconsidered the position taken in its letter to you of September 2, 1933, with regard to this application, in the light of the statements contained in your letter and the inclosed copy of the letter addressed to the Deputy Bank Commissioner of Connecticut by the Deputy Attorney General on January 2, 1934. In view of all the circumstances involved, the Board feels that it may properly grant fiduciary powers to a national bank which has at least the amount of capital stock required of State institutions with fiduciary powers together with an aggregate amount of capital stock and surplus equal to the aggregate amount of capital stock and surplus required of such State institutions, provided that in any case the national bank shall have an adequate surplus and that all of the circumstances involved in the particular case shall warrant the granting of the fiduciary powers applied for.

"It is understood that under the laws of Connecticut a capital of at least \$200,000 is required for the organization of a State bank with trust powers in a place the size of New Haven and that such a bank must have a surplus of at least \$200,000. You have advised that The Tradesmens National Bank has a capital stock amounting to \$350,000 and a surplus of \$50,000. Accordingly, this bank has an aggregate amount of capital stock and surplus which is at least equal to the minimum aggregate amount of capital stock and surplus required for the organization of a State bank with trust powers in New Haven. However, The Tradesmens National Bank was chartered on June 15, 1933, and such bank has not been examined by national bank examiners since its organization. In these circumstances, the Board does not feel that it can properly attempt to determine at this time whether it should approve the application of The Tradesmens National Bank for permission to exercise fiduciary powers. The Board will be glad to give consideration to what action it should take on this application after an examination of The Tradesmens National Bank has been made by the office of the Comptroller of the Currency and upon the receipt of a recommendation from you as to what action should be taken by the Board in view of the facts involved in this case as disclosed by such examination. In this connection, the Board would like particularly to have a statement of your views as to whether the surplus of The

3/27/34

-11-

"Tradesmens National Bank is adequate in view of the condition of its assets as shown by that examination.

"You are requested to advise The Tradesmens National Bank of the Board's position in this matter."

Approved.

Letter dated March 26, 1934, approved by five members of the Board, to Mr. J. G. Brauch, Vice President of the First National Bank of Mankato, Minnesota, reading as follows:

"This refers to your letter of March 12, 1934, and to the resolution adopted by the Board of Directors of your bank signifying the bank's desire to surrender its right to exercise the trust powers which have been granted to it by the Federal Reserve Board.

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

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

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of Assistant Federal Reserve Agent McAdams' letter of February 9, 1934, advising of the proposed increase in capital stock of the First State Bank of Newcastle, Wyoming, through the issuance of \$25,000 in preferred stock to

3/27/34

-12-

"the Reconstruction Finance Corporation and the reduction in the common capital stock of the bank from \$25,000 to \$12,500. It has been noted that after the proposed changes have been effected the bank will have a capital stock of \$37,500 and a surplus of \$12,500.

"It appears from the information submitted that the entire amount of the proceeds of the reduction in the common capital stock together with a part of the surplus of the bank is to be used to eliminate all losses in the bank and more than 50% of its doubtful assets as classified in the report of examination as of November 20, 1933, and that the recapitalization of the bank will result in a material improvement in its condition.

"However, it has been observed that, although the amount of the capital stock of the First State Bank after the proposed recapitalization would be in excess of the minimum capital required for admission of a bank to membership in the Federal Reserve System in a place the size of Newcastle, the amount of the capital of such bank would be nevertheless insufficient for the organization of a national bank in Newcastle. In this connection, the Board has heretofore ruled that a member State bank may not, while remaining a member of the Federal Reserve System, reduce its capital below the amount required for the organization of a national bank in the place in which the State bank is located. In the present case, however, it appears that after the proposed reduction and increase, which are to be effected as a part of the plan of reorganization of the bank, have been effected, the capital of the bank will be greater in the amount of \$12,500 than its capital prior to the time of such increase and reduction. In these circumstances, the Board feels that the purposes of the law will have been substantially complied with. The conditions of membership prescribed for the First State Bank do not include a condition requiring the Board's approval of a reduction in capital stock and under the law the approval of the Board is not required. The Board will interpose no objection to the reduction in the bank's capital as part of the plan of reorganization described in Mr. McAdams' letter, with the understanding, of course, that such reduction has the approval of the Wyoming State Banking Department."

Approved.

Letter dated March 26, 1934, approved by five members of the Board, to the Attorney General of the United States, reading as follows:

"With further reference to the possible violations of the provisions of Section 22(g) of the Federal Reserve Act, by Dr. S. J. Francis, Chairman of the board of directors, Mr. H. M. Ainsworth, President, Mr. R. W. Carter, Vice-President, and Mr.

3/27/34

-13-

"Thomas Caylor, Assistant Cashier, of the Lipscomb Bank and Trust Company of Luling, Texas, which, effective as of December 30, 1933, was succeeded by The First National Bank in Luling, there is inclosed herewith a copy of a letter and inclosure the Board has received from the Federal Reserve Agent at the Federal Reserve Bank of Dallas, from which it will be noted that the United States Attorney at San Antonio, to whom the Federal Reserve Agent had previously reported this matter, has requested the latter to ascertain by an investigation whether or not certain statements contained in such report are correct. The Board reported this matter to your Department under date of March 16, 1933.

"In this connection, the Federal Reserve Board requires all Federal reserve agents to report to it promptly all apparent violations of the criminal provisions of the banking statutes of the United States which they discover through examinations of member State banks made by their examiners, through reports of examinations made by the State authorities, or through any other sources. They are also required to report such matters immediately to the proper local United States Attorneys and, as you know, the Board reports them to your department for such action as you may consider advisable. After making such reports, neither the Board nor the Federal Reserve Agents ordinarily conduct any further investigations of the alleged offenses because the Board understands that such a function is within the jurisdiction of your department and that if your department desires an investigation into the affairs of the bank involved to develop further information with respect to such offenses it would prefer to have the investigation made by one of its own investigators. In the circumstances, before advising the Federal Reserve Agent at the Federal Reserve Bank of Dallas with regard to the question raised in his letter, it will be appreciated if you will furnish the Board with an expression of your views with reference thereto."

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letters of January 17 and February 21, 1934, reporting possible violations of the provisions of Section 22(g) of the Federal Reserve Act by Messrs. J. V. Foster and Russell Foster, President and Cashier, respectively, of the Camden County Bank, Camdenton, Missouri.

"It is noted that you have also reported these alleged irregularities to the United States Attorney at Kansas City, but, in view of the small amounts involved, \$8.31 and \$4.89, the Board is not reporting them to the Attorney General of the United States. This decision, however, should not influence you in reporting to

3/27/34

-14-

"the Board other possible violations of the criminal provisions of the banking statutes of the United States involving inconsiderable amounts which come to your attention in the future, because the Board desires to receive special reports on such matters as promptly as possible."

Approved.

Letter to Mr. C. P. Randall, Minneapolis, Minnesota, reading as follows:

"This refers to your letter of January 19, 1934, addressed to Mr. DuBois, an Assistant Counsel to the Federal Reserve Board. You request an interpretation of the provision of subparagraph (e) of Section 5144 of the Revised Statutes which in substance requires each holding company affiliate to agree that it will divest itself of its control of and interest in any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution of stocks, bonds, debentures, notes, or other securities. Specifically, you raise the issue whether a corporation engaged in a 'general mortgage loan business, including the loaning of money on mortgages for its own account and for the account of customers, "servicing" of mortgage loans and hand(1)ing of real estate acquired through foreclosure and otherwise' is a 'securities company' within the meaning of the provision aforesaid. It is assumed that the company is not engaged in issuing or selling bonds, debentures, or certificates of participation based on mortgages.

"One of the principal purposes of the Banking Act of 1933 was to effect a separation of commercial and investment banking, and it appears that subparagraph (e) of Section 5144 of the Revised Statutes, as amended by Section 19 of the Banking Act of 1933, was designed to aid in the accomplishment of that purpose. The Federal Reserve Board is of the opinion that ordinary mortgage notes are not '* * * notes or other securities' within the intendment of that subparagraph and that neither such notes nor the mortgages securing the same should be classified as 'stocks, bonds, debentures, notes, or other securities' in determining whether an organization dealing in such obligations is a 'securities company' within the meaning of subparagraph (e) of Section 5144. Accordingly, the Board is of the opinion that a company engaged merely in making loans secured by mortgages, in servicing such loans, and in handling real estate acquired through foreclosure or otherwise cannot be considered as being engaged 'principally in, the issue, flotation, underwriting, public sale, or distribution * * * of stocks, bonds, debentures, notes, or other securities', and that a company which was not formed for such a purpose and which confines its activities to dealing in

3/27/34

-15-

"mortgages and ordinary mortgage notes does not come within the purview of subparagraph (e) of said Section 5144.

"It may be noted that similar principles are applicable in determining whether an organization comes within the scope of Section 20 of the Banking Act of 1933, which provides in part that after one year from June 16, 1933, no member bank shall be affiliated in any manner described in Section 2(b) thereof with any 'corporation * * * engaged principally in the issue, flotation, underwriting, public sale, or distribution * * * of stocks, bonds, debentures, notes, or other securities'."

Approved.

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

"Receipt is acknowledged of your letter of January 25, 1934, containing your Inquiry No. 44, with respect to the question whether certain funds deposited by the Child-Walker School of Fine Arts with the State Street Trust Company of Boston, Massachusetts, constitute savings deposits within the meaning of the Board's Regulation Q.

"Although deposits of funds of a corporation ordinarily would not constitute 'savings deposits' within the meaning of the Board's Regulation Q, it is possible that such deposits in certain circumstances may properly be classified as 'savings deposits', provided the deposits consist of funds 'accumulated for bona fide thrift purposes' and otherwise comply with the definition of 'savings deposits' contained in Section V(a) of the regulation. However, the question whether such deposits may be regarded as savings deposits is one upon which it is not believed that any general rule can be prescribed and each case should be determined on the basis of its own particular facts.

"It would not be practicable for the Federal Reserve Board to undertake to determine in individual cases questions submitted to it by or on behalf of member banks as to whether particular deposits constitute savings deposits as defined in Regulation Q, and the Board feels that these are questions upon which each member bank should exercise its best judgment in the light of the provisions of the law and the regulation. As indicated in the regulation, if the circumstances with respect to the deposit are such as to raise a question as to whether it is properly classified as a savings deposit, the bank must be prepared to show clearly that it is a deposit consisting of funds accumulated for bona fide thrift purposes and that it otherwise complies with the definition of savings deposits set forth in the regulation."

Approved.

3/27/34

-16-

Letter to Mr. Awalt, Deputy Comptroller of the Currency, reading as follows:

"This refers to your letter of March 20, 1934, with regard to the meaning of the word 'thrift' as used in the definition of savings deposits contained in the Federal Reserve Board's Regulation Q.

"The Federal Reserve Board has given careful consideration to this matter in connection with other inquiries on this subject and does not feel that it should undertake at this time further to define the phrase 'funds accumulated for bona fide thrift purposes' as used in the regulation.

"The question whether deposits may be considered as funds accumulated for bona fide thrift purposes so as to constitute savings deposits within the meaning of the regulation is one upon which it is not believed that any general rule can be prescribed and each case should be determined on the basis of its own particular facts. The Federal Reserve Board feels that questions as to whether deposits may be regarded as funds accumulated for bona fide thrift purposes should be considered by the member banks in the exercise of their best judgment and in the light of the provisions of the law and the regulation. It would not be practicable for the Federal Reserve Board to undertake to determine such questions as they may arise in individual cases with member banks when deposits are offered to them. As indicated in the regulation, however, if the circumstances with respect to the deposit are such as to raise a question as to whether it is properly classified as a savings deposit, the bank must be prepared to show clearly that it is a deposit consisting of funds accumulated for bona fide thrift purposes and that it otherwise complies with the definition of savings deposits set forth in the regulation."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, in reply to a telegram dated March 24, 1934, from Mr. Downs, Assistant Federal Reserve Agent, stating that Mr. Philip Lehman would be unable to meet with the Board on March 27, 1934, in connection with his application under Section 32 of the Banking Act of 1933, for permission to serve as a director of the Corn Exchange Bank Trust Company of New York and as a partner in the firm of Lehman Brothers but could come to Washington on a date between April 15 and May 1.

3/27/34

The reply requested that the agent advise Mr. Lehman that the Board will meet with him on Tuesday, April 17, 1934, at 11:00 a. m.

Approved.

Thereupon the meeting adjourned.

Wester Mowell
Secretary.

Approved:

G. R. Black
Governor.