

A meeting of the Federal Reserve Board was held in Washington on Friday, April 6, 1934, at 10:00 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. Goldenweiser, Director, Division  
of Research and Statistics  
Mr. Parry, Assistant Director, Division  
of Research and Statistics  
Mr. Woodlief Thomas

Governor Black referred to the informal consideration by members of the Board in his office yesterday of the April 3, 1934, House committee confidential print of the so-called stock exchange bill, and he stated that the discussion had developed the following major points for decision by the Board: (1) whether, if margin requirements are placed in the bill, they should be applied to banks as well as to brokers and dealers, and, (2) whether members of national security exchanges, and brokers and dealers who transact a business in securities through the medium of any such member, should be allowed to borrow only from or through banks which are members of the Federal Reserve System or also from or through nonmember banks.

At this point, Governor Black was called from the meeting and upon his return stated that he had just talked over the telephone with Congressman Rayburn, Chairman of the Committee on Interstate and Foreign Commerce of the House of Representatives, who advised him that the committee was considering today the following questions in connection with the stock exchange

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bill: (1) whether the provisions of the bill with regard to margin requirements shall be applied to banks, (2) whether members of stock exchanges and brokers and dealers shall be allowed to borrow from non-member banks, and, (3) the general question of margin requirements. Governor Black also stated that he had been requested to appear before the House committee this afternoon to discuss the bill.

Reference was made to the written statement read by Governor Black before committees of the House and Senate on March 22, 1934, with regard to the stock exchange bill, and Mr. James called attention to the fact that he had not approved that statement and stated that, in his opinion, the bill in the form under consideration was extremely deflationary in effect, would affect adversely the releasing of credit to business and industry, and would retard the economic recovery of the country. The other members present indicated agreement that the committee print was a substantial improvement over the bill as originally introduced, and that there was no reason for the Board to recede from the position taken in the statement.

Section 6 of the committee print of the bill, prescribing margin requirements, was discussed in detail, and consideration was also given to textual changes in the committee print of the bill, which had been suggested by members of the Board's staff. A memorandum of the changes recommended by the staff will be found in the Board's files.

It appeared to be the consensus that margin requirements should be applicable to loans by banks on securities as collateral, as well as to extensions of credit by brokers and dealers.

It was also concluded that brokers and dealers should be permitted to borrow from nonmember as well as



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member banks, with the understanding that non-member banks will be subject to such applicable provisions of the law and regulations as are applied to member banks, and to provisions of the Federal Reserve Act and the Banking Act of 1933 with respect to loans by banks on securities, so as to insure against any advantage to nonmember banks over member banks in making such loans.

It was also understood that the changes in the committee print, recommended by the Board's staff, as modified on the basis of the discussion, would be submitted by Governor Black to the Committee on Interstate and Foreign Commerce of the House for its consideration. A memorandum of the changes as thus modified will also be found in the Board's files.

Mr. Wyatt referred to the recent action of the Board in approving the appointment of Messrs. Joseph T. Owens, Gray Williams, and Frederic Solomon as members of the staff of the legal division of the Board, and stated that he would like to have arrangements made as soon as possible for the physical examination of these employees so that they may assume their duties.

Mr. Morrill called attention to the telegrams which were prepared after consultation with Mr. Wyatt and addressed yesterday to Deputy Governors Rounds at New York and Worthington at Kansas City, and he read a reply just received from Mr. Worthington advising that Mr. Owens was arranging to leave Kansas City for Washington today and inquiring whether the Board desired to have him remain in Kansas City and have the examination made there before he leaves. Mr. Morrill also stated that his office has been working on the details of the procedure necessary to obtain satisfactory physical examinations of new employees of the Board, and that he had secured, for the consideration of the Board, the names of

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six examining physicians employed in Washington by the five largest life insurance companies to make physical examinations.

The Secretary was authorized to select any one of the physicians referred to and to arrange with him for physical examinations of persons whose appointments have been approved by the Board subject to their passing a satisfactory physical examination, and also of Mr. Owens upon his arrival in Washington. The Board fixed a fee of \$5.00 to be paid to the physician so selected for each examination, it being understood that this is the amount regularly charged in Washington by the chief examiners of the principal life insurance companies for physical examinations for ordinary life insurance.

The Secretary was also authorized to make arrangements with the Federal reserve banks that have regularly employed physicians who conduct physical examinations of employees of such banks for similar examinations in the case of prospective employees of the Board who may be so situated that it would be more convenient to have their examinations made at such Federal reserve banks than at Washington. It was further understood that all examinations would be made on the basis of the requirements for ordinary life insurance at the normal rates of premium.

The Board then considered and acted upon the following matters:

Letter dated April 5, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated April 6, 1934, from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, both advising that, at meetings of the boards 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 April 4, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that, for the reasons stated in the memorandum, the headquarters of Mr. Mortimer B. Daniels, assistant Federal



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reserve examiner, be changed from Detroit, Michigan, to Washington, D. C., effective as of April 1, 1934, with no change in salary.

Approved.

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

"Your letter April 2. With understanding that Mr. John K. Neeley will sever his official connection with building and loan association in accordance with Board's letter of January 16, 1934, Board approves his designation as special assistant to examiners in Federal Reserve Agent's department your bank at present salary rate of \$1,800 per annum. Please advise effective date."

Approved.

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

"Re Sargent's letter March 24, 1934, regarding application First Trust and Savings Bank of Pasadena. In view of recommendation of your office, Board will interpose no objection to acquisition of assets and assumption of liabilities, other than for capital stock, of The First National Bank of Pasadena by First Trust and Savings Bank of Pasadena, provided all proceedings in the transaction are approved by you and counsel for the Federal Reserve Bank of San Francisco, that only assets classified as acceptable by an examiner for the Reserve Bank be taken into the assets of First Trust and Savings Bank of Pasadena, and that the remaining assets of the national bank be carried by the First Trust and Savings Bank as nonledger assets to be liquidated for its own benefit.

"It is observed that First Trust and Savings Bank exchanged certain bonds of Mortgage Guarantee Company for issues of higher grades and that the bonds so acquired are carried on the books of the bank at the same value at which the Mortgage Guarantee Company bonds were formerly carried. The conditions of membership require that all depreciation in the Mortgage Guarantee Company bonds be eliminated, and prior to issuing stock in the reserve bank to the applicant, you are requested to satisfy yourself that this has been done and that the securities purchased with the proceeds of these bonds are not carried on the books of the bank at a value in excess of the cost price of the securities purchased. For your information, the Attorney General of the United States has ruled that cases of this kind, where bonds are exchanged and the bonds acquired are set

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"up on the books of a national bank at the same amount as those for which they were exchanged, should be reported to the Department of Justice for criminal prosecution."

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 First National Bank of Kingston', Kingston, Pennsylvania, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate approximately \$43,234 of unsatisfactory assets and to augment the bank's undivided profits in the amount of approximately \$6,766, all as set forth in your letter of March 28, 1934."

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 Landmands National Bank of Kimballton', Kimballton, Iowa, 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 approximately \$8,400 made available by a contribution from local interests, shall be used to eliminate unsatisfactory assets and to create a surplus fund of \$10,000, all as set forth in your memorandum of March 29, 1934."

Approved.

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

"Referring your wire, Board revokes approval application The First National Bank of Riverton, Wyoming, for Federal Reserve bank stock granted March 13 and approves new application for 32 shares made in connection with the filing of amended organization

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"papers, effective if and when Comptroller of the Currency authorizes bank to commence business."

Approved.

Memorandum dated April 4, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that the Comptroller of the Currency had approved, for transmission also to national banks, with certain changes set forth in the memorandum, the form of report and letter submitted with Mr. Smead's memorandum of February 27, 1934, in which he recommended that State member banks be required to submit confidential reports to the Board giving the market or appraised values, as well as book values, of loans and investments and real estate, and information regarding capital accounts. The memorandum of April 4 also stated that, inasmuch as the printing appropriation of the office of the Comptroller of the Currency is such that he hesitates to incur any printing costs except for the regular forms used in the office and has asked whether the Board would be willing to pay for the printing of the forms for the reports to be made by national banks, it is recommended that the entire cost, not more than \$70.00, of printing the forms to be used by national banks be assumed by the Board.

The changes in the form of report and Mr. Smead's recommendation were approved.

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

| <u>Applications for ORIGINAL Stock:</u>                     | <u>Shares</u> |     |
|---|---------------|-----|
| <u>District No. 7.</u>                                      |               |     |
| The District National Bank of Chicago,<br>Chicago, Illinois | 138           | 138 |
| <u>District No. 9.</u>                                      |               |     |
| First National Bank in Gladstone,<br>Gladstone, Michigan    | 36            |     |



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| <u>Applications for ORIGINAL Stock: (Continued)</u>                                    | <u>Shares</u> |            |
|--|---------------|------------|
| <u>District No. 9. (Continued)</u>   |               |            |
| The Rapid City National Bank,<br>Rapid City, South Dakota                              | 72            |            |
| The Union National Bank of Superior,<br>Superior, Wisconsin                            | <u>144</u>    | 252        |
| <u>District No. 10.</u>  |               |            |
| The First National Bank in Fort Collins,<br>Fort Collins, Colorado                     | 75            | 75         |
|  | <u>Total</u>  | <u>465</u> |
| <u>Application for ADDITIONAL Stock:</u>   |               |            |
| <u>District No. 9.</u>   |               |            |
| The Northwestern National Bank and Trust Co.<br>of Minneapolis, Minneapolis, Minnesota | 2,400         | 2,400      |

Approved.

Thereupon the meeting adjourned.

Chester Howell  
Secretary.

Approved:

E. R. Black  
Governor.