A meeting of the Federal Reserve Board was held in Washington on Friday, June 1, 1934, at 3:30 p.m.

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

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

The minutes of the meeting of the Federal Reserve Board held on May 16, 1934, were approved.

The Board then considered and acted upon the following matters:

Letter dated May 31, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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

"Referring your letter May 23, 1934 re 'Somerville Trust Company', Somerville, Massachusetts. Board grants an additional extension of time to September 1, 1934 within which the bank may comply with the provisions of condition numbered 3. Since it appears from the proposed plan of recapitalization that the bank will have a capital structure in aggregate amount in excess of that contemplated by the condition, Board will consider the issuance of $250,000 preferred stock without any reduction of common stock as compliance with condition numbered 3. Please advise the bank accordingly."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal
Reserve Bank of New York, prepared in accordance with the action taken at the meeting on May 31, 1934, reading as follows:

"Board has reconsidered its action of which you were advised in telegram dated May 29, 1934, with regard to City Bank Farmers Trust Company. Board is willing to consider application from trust company for membership in Federal Reserve System but decided not to waive standard conditions of membership numbered 12, 17, and 18. Please advise trust company accordingly. If bank desires to submit application for membership it should do so promptly in order that action may be taken thereon as soon as possible. Mr. Paulger will discuss with you matter of obtaining additional information which Board will require in connection with its consideration of application."

Approved.

Letter dated May 31, 1934, approved by six members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of May 19, 1934, advising of the intention of the Citizens Bank and Trust Company, Concord, North Carolina, to withdraw from the System in view of the fact that its request for cancelation of condition of membership numbered 22 requiring the removal of the offices of the building and loan association from the banking quarters of the Citizens Bank and Trust Company had not been granted.

"The Board regrets that the bank has gained the impression that its request received unsympathetic attention. On the contrary, upon receipt of the request the whole matter was again reviewed, but after careful consideration the Board felt that it would not be justified in making an exception to its general policy and canceling the condition. The bank, however, was granted an extension of six months within which to comply with the terms of the condition.

"It is noted that you propose to suggest to the bank that the application to withdraw from the System be accompanied by a request to the Board to waive the six months' notice of withdrawal. The Board will be glad to consider such a request if the bank so desires, but before withdrawing from the System, the bank should carefully consider, and be fully informed as to its status in connection with the Federal Deposit Insurance Corporation."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading
"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Fultonville National Bank', Fultonville, New York, from $50,000 to $25,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of $25,000 of preferred stock to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of securities depreciation, all as set forth in Mr. Awalt's memorandum of May 22, 1934."

Approved.

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

as follows:

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Dumont National Bank', Dumont, New Jersey, from $100,000 to $25,000, pursuant to a plan which provides that the bank's capital shall be increased by $75,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in Mr. Awalt's memorandum of May 19, 1934.

"In this connection, it is understood that your office will require the elimination of all estimated losses and all depreciation in securities in the lower grades."

Approved.

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

as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The Northumberland National Bank', Northumberland, Pennsylvania, from $125,000 to $100,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of $50,000 of new common capital stock at a premium of $25,000, such premium to be credited to undivided profits, and that the released capital shall be used to increase the surplus account by $25,000, all as set forth in Mr. Awalt's letter of May 16, 1934."
"In considering the plan under which the proposed reduction and increase in capital is to be effected, the Board has observed that there will remain in the bank securities depreciation, largely in the lower grades, which, if considered as a loss, would impair the bank's surplus to the extent of approximately $30,200.

"As has been stated in previous cases, the Board feels that as a general rule all depreciation other than that in securities in the four highest grades should be eliminated whenever it is possible to do so. In the instant case a reduction of surplus to provide for securities depreciation might be regarded as defeating the purpose of capital adjustment but, in view of all the facts and circumstances involved, the Board does not feel that such would be the case, its position being that the bank's right to exercise trust powers would be unimpaired, even though its surplus might temporarily be reduced to an amount less than 100% of its capital. It is assumed, however, that you have this matter in mind and will require such eliminations as may be deemed desirable in the circumstances."

Approved.

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

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Catonsville National Bank', Catonsville, Maryland, from $100,000 to $50,000, pursuant to a plan which provides that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's letter of May 16, 1934.

"In view of the fact that Catonsville is an unincorporated town, it is assumed that your office has given consideration to the question of population and is satisfied that the reduced capital will be adequate to meet the legal requirements."

Approved.

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

"This refers to your letter of May 18, 1934, which is in reply to the Board's letter of March 30, 1934, regarding the report of examination of the Federal Reserve Bank of Philadelphia, as of October 21, 1933."
"The Board notes that, after having carefully considered the matter, you do not feel that it would be practicable, due to the volume of work handled in the Transit Department, to adopt the recommendation made by the examiner that audits of the Transit Department be occasionally enlarged in scope so as to include a control on incoming mail for a period of time subsequent to the date of the audit and that due to the nature of the operations of the Transit Department there is small chance for carrying on any undisclosed embezzlements of any amount. Unfortunately irregularities have developed in transit departments and the fact that embezzlement would be difficult without collusion does not obviate the necessity for thorough audits. The Board feels that if possible audits of the Transit Department should be periodically made along the lines recommended by the examiner. Since, however, for the reason stated, you do not feel that audits of the Transit Department of your bank can be made in such manner, alternative plans should be worked out which would result in equally thorough audits of the department.

"The Board has considered your remarks relative to the examiner's comments regarding the large number of vault custodians and representatives of the Audit Department holding combinations to compartments containing securities, and the difficulty because of the large number of employees designated for such duties of placing responsibility in the event of any shortage. It is observed that when completed the vault now under construction will be used for securities only, and that you feel that under such conditions it will be possible to localize to a greater degree the access to the securities compartments. It would appear that an arrangement which would limit the number of employees having access to the securities would be desirable and an improvement over the present system, and should be adopted if practicable.

"The Board has noted your comments relative to the other matters mentioned in its letter of March 30, 1934."

Approved.

Letter dated May 31, 1934, approved by six members of the
Board, to Mr. Wm. H. McReynolds, Administrative Assistant to the
Secretary of the Treasury, reading as follows:

"The Board is in receipt of your letter of May 7 advising that the Treasury will call for new bids at an early date for furnishing policies of insurance covering governmental shipments of currency, coin, bullion, securities, etc., during the fiscal year 1935 and advising that the Treasury will be glad to afford the Board an opportunity to be included in the new policies if
"it will inform the department as to whether it desires to be included therein and inviting any suggestions or recommendations the Board may have to offer concerning the wording of the current policies."

"Representatives of the Board attended a conference in Mr. Birgfeld's office on Friday, May 25, at which the proposed draft of the insurance policy on which the companies will be asked to submit bids covering the fiscal year 1935 and a proposed statement of conditions and instructions to bidders were gone over in detail and the Board has no suggestion to offer at this time other than those agreed upon at the conference.

"The Board would like to have the contract for 1935 cover the Federal Reserve banks and their branches and agencies to the same extent as they are covered by the present contract but is of the opinion that the question of the participation of the Federal Reserve System in the Treasury contract, and the extent thereof, should be given careful consideration during the forthcoming year and accordingly will ask that the insurance committee of the Governors' Conference review this question and submit a report thereon to the Federal Reserve Board in advance of the time when bids covering the fiscal year 1936 will be asked for by the Treasury Department."

Approved.

Letter to Senator Fletcher, Chairman of the Committee on Banking and Currency of the Senate, reading as follows:

"This refers to the letter from the Acting Clerk of your Committee, dated April 10, 1934, requesting a report on S. 2735, entitled 'A Bill To amend Sections 6136 and 6153 of the Revised Statutes, as respectively amended'.

"The bill would amend Section 6136 so as to make the limitations and restrictions of that section as to dealing in, underwriting and purchasing for its own account investment securities inapplicable to obligations 'of any municipal corporate instrumentality of one or more States'. The bill would also amend Section 6153 so as to empower a national bank to give security for the safeguarding and prompt payment of public money 'of any municipal corporate instrumentality of one or more States'.

"In the report by the Committee on the Judiciary on the bill S. 2735, it is stated that the purposes and effects of the bill are to remove from the field of controversy any question as to the power of national banks to invest in general obligations of municipal corporate instrumentalities, such as the Port of New York Authority, or to give security for the repayment of deposits of such bodies. It is also stated that it is perhaps
"within the real intent of the statutes as they now exist that national banks should be permitted to exercise such powers. However, the term 'municipal corporate instrumentality' is of such vague and indefinite meaning that the exact scope of the bill is indeterminate, and it appears probable that it would relax the provisions of Sections 5136 and 5153 of the Revised Statutes to an extent which is not desirable. Accordingly, the Board does not favor its enactment."

Approved.

Letter dated May 31, 1934, approved by six members of the Board, to Mr. Fred Y. Presley, President of the National Investors Corporation, New York, New York, reading as follows:

"The Federal Reserve Board has received from the Federal Reserve Agent at the Federal Reserve Bank of New York the data which has been submitted in response to the Board's letter to you of March 24, 1934, concerning the applicability of Section 32 of the Banking Act of 1933 to the service of officers and directors of member banks as officers and directors of National Investors Corporation, Second National Investors Corporation, Third National Investors Corporation, and Fourth National Investors Corporation.

"Upon consideration of this information, the Board has reached the conclusion that these corporations are not 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of Section 32, but rather in the investment of their funds.

"Accordingly, the Board is of the opinion that Section 32 is not applicable to officers or directors of member banks who are serving these corporations."

Approved.

Letter dated May 31, 1934, approved by six members of the Board, to the following applicant for a permit under section 32 of the Banking Act of 1933; the letter stating that it appears that the relationship covered by the application is within the class which section 32 was designed to terminate, and that, accordingly, the Board is unable to find that it would not be incompatible with the public
interest as declared by the Congress to grant the application, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. Orville H. Bullitt, for permission to serve at the same time as a director of the Central-Penn National Bank and as a partner in the firm of W. H. Newbold's Son & Co., both of Philadelphia, Pennsylvania.

Approved.

Letters dated May 31, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. H. L. Halladay, for permission to serve at the same time as a director of The First National Bank of Choteau, Choteau, Montana, as a director of The First National Bank of Fairfield, Fairfield, Montana, and as a director and officer of the First State Bank, Bynum, Montana.

Mr. Earl A. Korth, for permission to serve at the same time as a director of The First National Bank of Rhinelander, Rhinelander, Wisconsin, and as a director of the Phelps State Bank, Phelps, Wisconsin.

Approved.

Letters to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Arthur L. Blakeslee, for permission to serve at the same time as a director of The First National Bank and Trust Company of Kalamazoo, Kalamazoo, Michigan, and as a director of the American National Bank and Trust Company of Chicago, Chicago, Illinois.

Mr. Frank D. Williams, for permission to serve at the same time as a director of the Federal Reserve Bank of Chicago, Chicago, Illinois, and as a director and officer of The First Capital National Bank of Iowa City, Iowa City, Iowa.

Mr. F. D. Greene, for permission to serve at the same time as a
director and officer of The Security National Bank of Huron, Huron, South Dakota, as a director and officer of The First National Bank of Miller, Miller, South Dakota, and as a director and officer of The First National Bank of Highmore, Highmore, South Dakota.

Mr. S. M. Jasper, for permission to serve at the same time as a director of The First National Bank of St. Joseph, St. Joseph, Missouri, as a director of the First Trust Company, St. Joseph, Missouri, and as a director of the St. Joseph Stock Yards Bank, South St. Joseph, Missouri.

Mr. Dave Rowe, for permission to serve at the same time as a director and officer of The Stephens National Bank of Fremont, Fremont, Nebraska, and as a director of the Federal Home Loan Bank of Topeka, Topeka, Kansas.

Approved.

There were then presented the following applications for changes in stock of Federal Reserve banks:

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<tr>
<th>Application for ORIGINAL Stock:</th>
<th>Shares</th>
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<tr>
<td><strong>District No. 6.</strong></td>
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<tr>
<td>First National Bank in Waycross, Waycross, Georgia</td>
<td>72</td>
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<th>Applications for ADDITIONAL Stock:</th>
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<tr>
<td><strong>District No. 7.</strong></td>
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<tr>
<td>The Live Stock National Bank of Sioux City, Sioux City, Iowa</td>
<td>90</td>
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<td><strong>District No. 9.</strong></td>
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<tr>
<td>The Northwestern National Bank of Dawson, Dawson, Minnesota</td>
<td>81</td>
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<tr>
<td>First National Bank in Minot, Minot, North Dakota</td>
<td>84</td>
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<tr>
<td><strong>District No. 12.</strong></td>
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<td>The First National Bank of Vista, Vista, California</td>
<td>6</td>
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<tr>
<td>First Security Bank of Utah, N. A., Ogden, Utah</td>
<td>360</td>
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<tr>
<td>Peoples Bank and Trust Co., Seattle, Washington</td>
<td>60</td>
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<td>426</td>
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<td><strong>Total</strong></td>
<td>600</td>
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Applications for SURRENDER of Stock:

District No. 2.
Niagara County National Bank & Tr. Co.,
Lockport, New York

390  390

District No. 3.
The First National Bank of Du Quoin, Du Quoin,
Illinois

120

The Neat, Condit and Grout National Bank of
Winchester, Winchester, Illinois

42  162

Total  552

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]
Governor.

[Signature]
Secretary.