

A meeting of the Federal Reserve Board was held in Washington on Friday, June 22, 1934, at 4:00 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 Board considered and acted upon the following matters:

Letter dated June 21, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated June 21, 1934, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, and June 22, 1934, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, all 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 June 20, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that the temporary appointment of Mr. James F. Furbershaw as a stenographer in the division be extended for an additional thirty days on the same terms as the previous employment.

Approved.

Memoranda dated June 19, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the temporary appointment for a

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period of thirty days of Elizabeth B. Griffin and Anna F. Scott as stenographers in the division, with compensation at the rate of \$4.50 a day for each working day, effective as of the respective dates upon which they enter upon the performance of their duties. The recommendations were approved by six members of the Board on June 21, 1934.

Approved.

Memorandum dated June 18, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated June 12 from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, which requested approval of a change in the personnel classification plan of the Memphis Branch to provide for a change in the title of the position of "assistant branch auditor" in the audit department to "clerk", and a change in the personnel classification plan of the Louisville Branch to provide for the new positions of "branch auditor" and "clerk" in the audit department. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by six members of the Board on June 21, 1934.

Approved.

Memorandum dated June 18, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated June 13, from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classification plan of the bank to provide for the new position of "general clerk" in the fiscal agency department. The memorandum stated that the committee had reviewed the proposed change and recommended that it be approved.

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The recommendation was approved by six members of the Board on June 20, 1934.

Approved.

Memorandum dated June 19, 1934, from the Committee on Salaries and Expenditures, submitting a letter from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classification plan of the Denver Branch to provide for an increase in the salary range of the position of "assistant to clerk in charge" in the check collection - country checks and clearing house department. The memorandum stated that the committee had reviewed the proposed change and recommended that it be approved.

The recommendation was approved by six members of the Board on June 21, 1934.

Approved.

Memorandum dated June 18, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated June 12 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, which requested approval of a change in the personnel classification plan of the bank to provide for increases in the salary ranges of five positions in the service department.

The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by six members of the Board on June 21, 1934.

Approved.

Memorandum dated June 18, 1934, from the Committee on Salaries

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and Expenditures, submitting the resolutions adopted by the boards of directors of all Federal reserve banks which provided for the payment on June 30, 1934, of dividends to stockholding member banks at the rate of 6% per annum for the first six months of 1934, and calling attention to the fact that the estimated dividend requirements of the Federal reserve banks of Richmond and Kansas City are in excess of estimated current net earnings for the six-months period. The memorandum also stated that the committee had reviewed the dividend resolutions and recommended that the payment of a semi-annual dividend by each Federal reserve bank be authorized by the Board. The recommendation of the committee was approved by six members of the Board on June 21, 1934.

Approved.

Telegram dated June 20, 1934, approved by six members of the Board, to Mr. Hamilton, Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring your June 19 wire, Board will be glad to have your representative, whom you stated in your June 6 wire would be Mr. Worthington, attend Committee meeting on accounting matters, to be held in Chicago on June 27, as a member of the Committee."

Approved.

Telegram dated June 21, 1934, approved by six members of the Board, to the Federal reserve agents at all Federal reserve banks except St. Louis, reading as follows:

"One of the Federal Reserve Agents (St. Louis) has received a letter from J. Douglas Brown, Director, Industrial Relations Section, Princeton University, requesting him to fill out a questionnaire on personnel matters in his bank. Please advise whether

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"your bank has received a similar request. If so, and you propose to answer questionnaire, please furnish Board a copy of your proposed reply in advance of its being mailed to Mr. Brown as Board prefers that replies to such questionnaires be treated as a system matter."

Approved, together with a telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, quoting the above telegram and stating that the copy of the questionnaire which he received from Mr. Brown, and which he had forwarded to the Board, was being returned.

Letter dated June 21, 1934, approved by six members of the Board, to the chairmen and governors of all Federal reserve banks, reading as follows:

"The authority granted by the Federal Reserve Board to all Federal reserve banks in its circular of July 26, 1932 (X-7215a), as amended by its letter of January 10, 1934 (X-7746), to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and that circular, will expire at the close of business on July 31, 1934. The Board has decided to extend such authorization for an additional six months, and, accordingly, has amended section II of its circular of July 26, 1932 (X-7215a), to read as follows:

'AUTHORIZATION BY THE FEDERAL RESERVE BOARD.

The Federal Reserve Board, pursuant to the power conferred upon it by the amendment hereinbefore quoted, hereby authorizes all Federal reserve banks, for a period ending at the close of business on January 31, 1935, to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and this circular."

Unanimously approved, together with a statement, also approved by six members of the Board on June 21 for inclusion in the next issue of the Federal Reserve Bulletin with respect to the further extension of the authority of Federal reserve banks to discount eligible paper for individuals, partnerships and corporations.

Letter to Mr. Williams, Federal Reserve Agent at the Federal

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Reserve Bank of Cleveland, reading as follows:

"Reference is made to Mr. Fletcher's letter of May 29, 1934, with which was transmitted a report by your trust examiner in regard to the application of 'The Braddock National Bank', Braddock, Pennsylvania, for full fiduciary powers.

"In view of the fact that the surplus of the applicant bank is now less than that required for the organization of a State bank with trust powers under the laws of Pennsylvania, and in accordance with Assistant Federal Reserve Agent Fletcher's recommendation, the Board will take no action on the pending application.

"Whenever the subject bank increases its surplus to an amount which will meet the requirements of the State law, the Board will be pleased to consider a new application by it. It is assumed, however, that such new application would not be submitted in any event until after another examination of the bank by the Comptroller's office, which would reflect the eliminations effected since the previous examination and enable a determination of its general condition on a current basis.

"Please advise the applicant bank accordingly."

Approved.

Letter dated June 21, 1934, approved by six members of the Board, to "The Citizens National Bank of Boone", Boone, Iowa, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you permission to act, when not in contravention of State or local law, as trustee, executor, administrator and committee of estates of lunatics, 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.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Letter dated June 21, 1934, approved by six members of the Board, 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 Citizens National Bank of Crawfordsville', Crawfordsville, Indiana, from \$100,000 to \$75,000, pursuant to a plan which

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"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 a portion of the bank's surplus, shall be used in eliminating unsatisfactory assets aggregating approximately \$36,800, all as set forth in Mr. Awalt's memorandum of June 8, 1934."

Approved.

Letter, dated June 21, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of Mr. Awalt's memorandum of June 12, 1934, in regard to the proposed reduction in capital of 'The Sheldon National Bank', Sheldon, Iowa, which was approved by the Board on April 11, 1934.

"Mr. Awalt advises that only \$22,500 of the \$25,000 local contribution originally contemplated can be raised. In view of the fact that the eliminations previously agreed upon can be effected by the use of the released capital, a contribution of \$22,500 and a portion of the undivided profits, and in accordance with Mr. Awalt's request, the Board amends its previous approval to provide for a local contribution of \$22,500, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

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

"Receipt is acknowledged of Mr. Awalt's memorandum of June 9, 1934, in regard to the proposed reduction in capital of 'The Dowagiac National Bank', Dowagiac, Michigan, which was approved by the Board on May 10, 1934.

"Mr. Awalt advises that the eliminations desired (originally \$42,620) now aggregate approximately \$33,540. In view of this improvement in the amount of criticized assets to be removed, and in accordance with Mr. Awalt's request, the Board amends its previous approval by eliminating the requirement for a local contribution with the understanding that the other provisions of the original plan remain unchanged."

Approved.

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

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"In accordance with the recommendation of Acting Comptroller of the Currency Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Wisconsin Rapids', Wisconsin Rapids, Wisconsin, from \$200,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with \$30,000 of the bank's surplus, shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of June 8, 1934."

Approved.

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

"Re tel June 19. On basis of facts submitted, Board finds no reason to disagree with conclusion of your counsel that neither Pittsburgh Title and Mortgage Guaranty Company nor Lawyers Title Company is within purview of Section 20 of Banking Act of 1933. Board's position is based on understanding that Pittsburgh Title and Mortgage Guaranty Company will not hereafter guarantee any bonds secured by mortgages or issue new certificates except occasionally in renewal of and in exchange for maturing certificates and to the holders thereof, and that no such certificates will be sold to the public for the purpose of meeting maturing obligations."

Approved.

Telegram dated June 20, 1934, approved by six members of the Board, to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Your wire June 15. Without undertaking on basis of information on hand to pass upon necessity under law for obtaining permits with respect to relationships between member banks and dealers named in your telegram, Board grants to said member banks permits under Section 32 of Banking Act of 1933 to extent that same may be necessary under law to have correspondent relationships with dealers named in your telegram solely in connection with issue of \$5,000,000 of highway bonds of State of Missouri referred to in your telegram. Please obtain and forward for Board's files application by each member bank covering relationships referred to together with usual accompanying forms, except that only one statement of each dealer and of each member bank need be submitted to

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"Board. Formal permits being prepared and will be mailed shortly. Please advise member banks. Since one of member banks involved is located in St. Louis District you are requested to advise Federal reserve agent of that District of Board's action and request that application of member bank in his District be submitted to Board through his office."

Approved.

Telegram to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, stating that the Board has given consideration to the application of "The A. V. Hunter Investment Company", Denver, Colorado, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Carbonate American National Bank of Leadville", Leadville, Colorado, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"Prior to issuance of permit authorized hereunder (1) The A. V. Hunter Investment Company, Denver, Colorado, shall file an application on F.R.B. Form P-1, with exhibits A, C, and O attached thereto, for permit entitling applicant to vote stock which it owns or controls in The Carbonate American National Bank of Leadville, Colorado; (2) There shall be furnished statement of counsel for Federal Reserve Bank of Kansas City that such application and exhibits are in form satisfactory to such counsel and are legally effective; and (3) Federal Reserve Agent at Federal Reserve Bank of Kansas City and Executive Committee of such bank shall approve issuance of limited voting permit to The A. V. Hunter Investment Company, Denver, Colorado, for purpose set forth after letter D hereof."

and for the following purpose:

"To take such action as may be necessary or desirable in order to effect the dissolution and liquidation of The Carbonate American National Bank of Leadville, Colorado."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to The A. V. Hunter Investment

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Company, a limited voting permit in accordance with the telegram.

Approved.

Letter dated June 21, 1934, approved by six members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to Mr. McRae's letter dated May 29, 1934, in answer to the Board's letter of May 15, 1934, regarding the applicability of Section 32 of the Banking Act of 1933 to the service of Mr. F. Winchester Denio as vice president and director of the Everett Bank and Trust Company, Everett, Massachusetts, and as trustee and secretary of the Old Colony Investment Trust, Boston, Massachusetts.

"Inclosed with Mr. McRae's letter was a copy of a letter dated May 28, 1934, from Mr. Denio containing information concerning the business of the Old Colony Investment Trust. Among other things it is noted that 99.15% of the securities in its portfolio on February 1, 1934, had been held for over two years. From the information submitted it seems probable that the provisions of Section 32 are not applicable to an interlocking relationship between a member bank and the Old Colony Investment Trust; but the Board is unable to make a definite ruling on that question without more complete information.

"The purpose of the Board's letter of May 15, 1934, regarding the Old Colony Investment Trust was not to request you to submit the facts to the Board for a formal ruling, but was merely to invite your attention to the question whether Section 32 is applicable to the service of Mr. Denio to the member bank and the Old Colony Investment Trust. It was contemplated that you would consider this question with the assistance of your counsel and take whatever action, if any, you deemed necessary to bring about compliance with the law. Of course, the Board will be glad to pass upon the question if you or your counsel deem it advisable to submit the question to the Board for a ruling. However, if a ruling of the Board is desired, the Board would like to have a full and definite statement of the facts, together with an expression of your views on the question of whether Section 32 is applicable to the relationship."

Approved.

Letter dated June 20, 1934, approved by six members of the Board, to Mr. George W. Baron, Wheeling, West Virginia, reading as follows:

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"Reference is made to your letter dated June 11, 1934, addressed to Mr. W. H. Fletcher, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, in regard 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 Security Trust Company, as a director of the Citizens Mutual Trust Company, and as a partner in Geo. W. Baron & Company, all of Wheeling, West Virginia.

"The Federal Reserve Board has carefully considered your statement that your son-in-law, Mr. William H. Wheeler, is the active partner in the firm of Geo. W. Baron & Company and is responsible for the management thereof. The Board has also considered your statement that because of your substantial investment in the business and because of the family relationship involved, you do not want to be under the necessity of dissolving the partnership nor of taking any steps which might have the effect of embarrassing Mr. Wheeler in the administration of the business on account of an impression that you had withdrawn either your personal or financial interest from the firm. From the above information it appears that although Mr. Wheeler is engaged in the active management of the partnership, you have the authority of a partner and may at any time participate in the management of the firm, and also that the business of the firm is transacted largely upon your individual financial standing. The Board therefore feels that the fact that you do not customarily take an active part in the management of the firm does not cause your relationship to be actually different from the relationships which the Congress intended to terminate by the enactment of Section 32.

"The Board has also given attention to your statement that you have not drawn any part of the profits from the firm since 1931 and that you are willing to enter into an agreement not to withdraw any of the profits of the firm in the future, and has noted your statement that you are willing to enter into an agreement that the firm of Geo. W. Baron & Company will not sell to either of the banks of which you are a director, any securities underwritten by the firm. The Board feels, however, that even if such agreements were made by you, the relationship covered by your application would still fall within the class of relationships which Section 32 was designed to terminate.

"While the Federal Reserve Board is not unsympathetic with your desire to continue to be a partner of Geo. W. Baron & Company, and to serve as a director of the above named banks, it believes that your letter states no facts that would justify the Board in making an exception in your case, and the Board therefore denies your application. It will be appreciated if you will notify the Federal Reserve Agent at the Federal Reserve Bank of Cleveland of the steps which you take in order to comply with the provisions of Section 32."

Approved.

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Letter dated June 20, 1934, approved by six members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to Mr. Clark's letter dated June 1, 1934, in answer to the Board's letter of May 19, 1934, regarding the applicability of Section 32 of the Banking Act of 1933 to the service of Messrs. J. L. Bedsole and Milton L. Brown as directors of the First National Bank of Mobile, and as officers and/or directors of the Mobile Bond & Mortgage Company, both of Mobile, Alabama.

"Inclosed with Mr. Clark's letter was a copy of a letter dated May 30, 1934, from Mr. J. L. Bedsole which described the business of the Mobile Bond & Mortgage Company as follows:

'The Charter of said company is very broad and does provide that the company may issue certificates of participation in real estate loans, but this privilege has never been used nor is there any thought on the part of the directors or officers that it will ever be used. The operations of the company have been restricted to making loans on real estate, but for the last year and a half it has made very few loans -- its principal operation being the working out of loans previously made.'

"In view of this statement, it seems probable that Section 32 is not applicable to an interlocking relationship between the Mobile Bond & Mortgage Company and a member bank; but the Board is unable to make a definite ruling on that question without more complete information, and especially without definite information to the effect that the company does not issue bonds or other similar securities against the mortgages which it acquires in making loans on real estate. While the letter indicates that the company is not issuing participation certificates, it does not state definitely whether or not the company is issuing bonds or other securities.

"The purpose of the Board's letter of May 19, 1934, regarding the Mobile Bond & Mortgage Company was not to request you to submit the facts to the Board for a formal ruling, but was merely to invite your attention to the question whether Section 32 is applicable to the service of Mr. Bedsole and Mr. Brown to the member bank and the Mobile Bond & Mortgage Company. It was contemplated that you would consider this question with the assistance of your counsel and take whatever action, if any, you deemed necessary to bring about compliance with the law. Of course, the Board will be glad to pass upon the question if you or your counsel deem it advisable to submit the question to the Board for a ruling. However, if a ruling of the Board is desired, the Board would like to have a full and definite

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"statement of the facts, together with an expression of your views on the question of whether Section 32 is applicable to the relationship."

Approved.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u> The National Bank & Trust Company of Erie, Erie, Pennsylvania	270	270
<u>District No. 10.</u> First National Bank in Eads, Eads, Colorado	36	36
<u>District No. 11.</u> First National Bank at Farmersville, Farmersville, Texas	32	
Pittsburg National Bank, Pittsburg, Texas	33	
Amarillo National Bank, Amarillo, Texas	<u>330</u>	395
<u>District No. 12.</u> Torrance National Bank, Torrance, California	72	72
	<u>Total</u>	<u>773</u>

Approved.

Thereupon the meeting adjourned.

Robert Morill
Secretary.

Approved:

E. R. Black
Governor.