

A meeting of the Federal Reserve Board was held in Washington on Saturday, June 30, 1934, at 11:30 a. 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

Governor Black presented, for the Board's consideration, the following letter which he proposed to send to the governors and chairmen of all Federal reserve banks, in regard to loans which the Federal reserve banks are authorized to make under the provisions of the industrial credit act:

"You will recall that at the recent Conference I suggested that a letter be written you regarding loans to industry.

"I want first to thank you for your earnest consideration of the problems of the Conference and your evident spirit of cooperation.

"We mainly considered the opportunity furnished and the responsibility entailed by this new law. You will observe

"(1) That in exceptional circumstances when it appears to the satisfaction of your bank that an established industrial or commercial business located in your district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, your bank may make loans to, or purchase obligations of, such industrial or commercial business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with working capital.

"(2) That your bank shall have power to discount for, or purchase from, any financing institution operating in your district obligations entered into for the purpose of obtaining working capital for any established industrial or commercial business; to make loans or advances to any such financing institution on the security of such obligations, or to make commitments with regard to such loans or advances on their security, including commitments made in advance of the actual undertaking of such obligations. This provision requires participation by the

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"financing institution.

"Under these two provisions loans may be made direct to established industrial or commercial businesses or indirectly through financing institutions, such loans in either case to be for working capital.

"As you know the Board has promulgated Regulation S covering such loans, which regulation was submitted to and approved by the Conference.

"This regulation has been made as simple as possible so that it might materially aid and in no way hinder the making of these loans, and most of the questions discussed at the Conference are now covered by the law and the regulation.

"The question of the personnel of the industrial advisory committee in your district is important. The regulation fixes the number at five. In my opinion the members of this committee should be men fully advised as to the industrial and commercial situation in your district, fully alive as to the needs of the smaller industrialist, and entirely sympathetic with the purpose of these loans. I also feel that three of the members should reside at your home office city so that a quorum may be immediately present for the consideration of applications.

"The rate is also an important factor. I think this rate should be considered from the standpoint of the purpose embraced in this law and that purpose is to aid the smaller industrialist in the solution of his problems. I do not think that a rate can be uniform because of diverse conditions in different districts. I rather think that each district considering its own conditions should determine the rate for its district.

"It would be wise in fixing a rate to keep in view usual banking rates in your district but this approach must be limited if those banking rates are high when considered in the light of the purposes of this Act.

"In determining whether there should be a different rate for individuals or financing institutions the increased risk in the case of individuals may well be considered.

"I do not believe that there should now be any preferential rate for member banks since the law made no distinction between financing institutions and because a substantial part of the funds loaned are paid to us by the Treasury. Later experience may show that the element of risk may influence a preferential rate but I feel that we should await that experience before fixing one. It is my personal feeling that a commitment fee would be justified and that it should be a low fee. This feeling is prompted by the knowledge that commitments will tie up available funds for loans and by the knowledge that through commitments an element of value is given the financing institution.

"I am very hopeful that through the process of making commitments we will engage the active cooperation of the banks, but this hope must be restrained within the limitation of having left

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"available funds for immediate loans.

"These expressions as to rates are only expressions. The Board will fully consider the mature action of your directors on this question.

"I am certain that you have carried home to your directors our earnest feeling, first, that these new loans will materially aid the Recovery Program, second, that it gives your bank an opportunity to render a real service in your district, and third, that this opportunity entails a responsibility that for the good of the Federal Reserve System must be fully met.

"I am pleased to advise that the expressions of this letter are concurred in by the members of the Board, but that they must be considered only as our expressions, since the Board feels that each Reserve Bank can and will meet its responsibilities under this law and will be more fully advised as to the especial conditions in its district."

Approved.

The Board then considered and acted upon the following matters:

Letter to "The Merchants National Bank of Terre Haute", Terre Haute, Indiana, 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, guardian of estates 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 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 First National Bank of Hamden', Hamden, New York, from \$75,000 to \$50,250, 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 a portion of

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"the bank's surplus, undivided profits and reserve accounts, shall be used to eliminate estimated losses and securities depreciation in the lower grades, and provides also, that the proceeds from the sale of preferred stock shall be used to reduce the bank's liability on bills payable, all as set forth in Mr. Awalt's memorandum of June 16, 1934."

Approved.

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

"Refer your letter June 19. You are authorized to issue to Northwest Bancorporation, Minneapolis, Minnesota, limited voting permit similar to that authorized in Board's ANCIGAR telegram of May 21, 1934, and issued to such corporation under date of June 16, 1934, except that you may provide in permit authorized hereunder that Northwest Bancorporation may vote stock of member banks named in such permit for purposes stated therein 'At any time prior to September 1, 1934.' instead of 'At any time prior to July 1, 1934.'"

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"This refers to Mr. Dillistin's two letters of June 20 regarding the Citizens National Bank of Hammond, Hammond, New York, and the Romulus National Bank, Romulus, New York, which were placed in receivership on October 12, 1933, and December 7, 1933, respectively, but whose receivers have not yet filed applications for cancelation of stock of the Federal Reserve Bank of New York outstanding in the names of the banks. In view of the plans pending for the reorganization and reopening of the banks, the Board approves Mr. Dillistin's recommendations that action in the matter of canceling the Federal Reserve bank stock outstanding in the names of the Citizens National Bank of Hammond and the Romulus National Bank be deferred for the present. If, however, the banks have not reopened or the receivers of the banks have not made application for cancelation of their Federal Reserve bank stock within three months from the date of this letter, you are requested to submit a further report and recommendation."

Approved.

Letter dated June 29, 1934, approved by five members of the

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Board, to Honorable A. W. Hall, Director of the Bureau of Engraving and Printing, reading as follows:

"Referring to your letter of June 6, 1934, it is estimated that Federal Reserve note printing requirements for the fiscal year ending June 30, 1936, will amount to 6,409,200 sheets as follows:

Fives	2,486,000	sheets
Tens	2,915,000	"
Twenties	973,000	"
Fifties	19,000	"
Hundreds	16,000	"
One thousands	200	"
Total	<u>6,409,200</u>	"

"You are further advised that the Board is today placing with the Comptroller of the Currency a formal order for the printing, during the fiscal year ending June 30, 1935, of 8,027,150 sheets of Federal Reserve notes of the various Federal Reserve Banks and is requesting the Comptroller to cancel all orders now on file with the Bureau for printing Federal Reserve notes."

Approved, together with a letter, also dated June 29, 1934, and approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, in accordance with the letter to Mr. Hall.

In connection with the above, there was presented a second letter dated June 29, 1934, approved by five members of the Board, to Honorable A. W. Hall, Director of the Bureau of Engraving and Printing, reading as follows:

"Referring to your recent telephone conversation with Mr. Smead in regard to the stock of incomplete face printed Federal Reserve notes held at the Bureau in denominations of \$500 and over, it is understood that the Bureau will arrange to hold all such notes as a reserve stock until such time as the new face plates are completed when all such notes remaining on hand (7,757 sheets) will be destroyed."

Approved.

Letter to Mr. Baxter B. Bond, Secretary, Bankers Bond and Securities Company, Hannibal, Missouri, reading as follows:

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"Reference is made to your letter dated June 14, 1934, addressed to the Federal Reserve Agent at the Federal Reserve Bank of St. Louis, in regard to the application of Mr. Scott Meyer under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Hannibal National Bank and as a director of the Bankers Bond and Securities Company, both of Hannibal, Missouri.

"Careful attention has been given to your statement that you feel that Mr. Meyer's service as a director of the Bankers Bond and Securities Company and as a director of the Hannibal National Bank has not tended to influence the bank's credit and investment policies in a manner incompatible with the public interest. The Board has also considered the situation which arose in 1932 in connection with a loan by the bank to your company which was cited as an illustration of the fact that Mr. Meyer's service to the securities company and to the bank had not influenced the credit policies of the bank.

"The Board wishes to make it clear that the position taken in its letter of May 14, 1934, in regard to Mr. Meyer's application was not based upon the belief that the particular relationship covered by his application had resulted in an improper influence upon the member bank in question. The Board believes that it was the intent of Congress in enacting the provisions of Section 32 in regard to interlocking directorates to eliminate any possibility of an improper influence upon the management of member banks. This action on the part of the Congress was apparently based upon a belief that such interlocking directorate relationships had a tendency to cause an undesirable influence upon the credit and investment policies of member banks and their advice to their correspondents.

"In view of the fact that the Congress has enacted into law a general policy that such interlocking directorate relationships should be terminated because they were believed to be incompatible with the public interest, the Board feels that it should not grant permits covering relationships which are actually within the class at which Section 32 was directed, even though in a particular case the applicant has not allowed his interest in a securities company to influence his judgment as a director of a member bank.

"Although the Federal Reserve Board is not unsympathetic with your desire to have Mr. Meyer continue to serve as a director of your company and as a director of the bank, the Board feels that your letter states no facts which would justify an exception in Mr. Meyer's case and, accordingly, has decided that unless there are other facts to be submitted, Mr. Meyer's application should be denied."

Approved.

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Letters to Messrs. Case and Stevens, Federal Reserve Agents at the Federal Reserve Banks of New York and Chicago, respectively, referring to the following applications for permits under the Clayton Act, and stating, in each case, that, upon the basis of the information before it, the Board feels that the issuance of the permit applied for would be incompatible with the public interest. Each letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Mr. George G. Kleindinst, for permission to serve at the same time as a director and officer of the Liberty Bank of Buffalo, Buffalo, New York, and as a director of the Buffalo Branch, Federal Reserve Bank of New York, Buffalo, New York.

Mr. James E. Tucker, for permission to serve at the same time as a director of The Mid-City National Bank of Chicago, Chicago, Illinois, as a director of The Liberty Bank of Chicago, Chicago, Illinois, and as a director of the Sears-Community State Bank, Chicago, Illinois.

Approved.

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

"The Board has given consideration to the application of Mr. Joseph E. Lindquist, 208 South LaSalle St., Chicago, Illinois, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of the National Builders Bank of Chicago, Chicago, Illinois, and as an employee of the City National Bank and Trust Company of Chicago, Chicago, Illinois, and, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest and concurs in your recommendation that the permit be refused. You are requested to advise the applicant of the Board's position in the matter, unless there are pertinent

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"facts which were not submitted with the application and which you feel should be given consideration.

"In communicating with the applicant, please advise him that, in accordance with Section V (g) of Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms which he feels should be brought to the Board's attention. In this connection, please advise the Board promptly as to whether Mr. Lindquist desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

"If you deem it advisable or necessary, you are authorized to inform Mr. Lindquist that the Board's action upon his application was based largely upon his apparent responsibility for the unsatisfactory loaning policies of the National Builders Bank of Chicago and upon the fact that obligations of himself, his family and/or his interests in the National Builders Bank of Chicago classified as slow, doubtful and/or loss, indicate an abuse of the credit facilities of that bank. In view of these circumstances, the Board has not given consideration to the question of whether the service of Mr. Lindquist as Manager of the Business Development Division of the City National Bank and Trust Company of Chicago and as Chairman of the Board of the National Builders Bank of Chicago involves a conflict of interests inimical to the welfare of either or both institutions. If reconsideration of this application is desired, you are requested to develop full information in this connection."

Approved.

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

"You will find inclosed Clayton Act permit and copies thereof issued by the Board to Mr. M. Kennedy to serve as director of New First National Bank in New Hampton, New Hampton, Iowa, and as director of Farmers and Traders Savings Bank, Bancroft, Iowa.

"Information obtained from the files of the Comptroller of the Currency indicates that apparent violations of Section 5209, United States Revised Statutes on the part of officers of the New First National Bank in New Hampton based upon transactions involving 'bond trades' have been reported to the United States District Attorney. Inasmuch as Mr. Kennedy is not an officer of the bank, it is assumed that the apparent violations reported do not involve him.

"The Board feels, however, that, if the applicant is involved in this matter, definite information regarding its disposition

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"should be obtained before the permit issued under the provisions of the Clayton Act is released. If it is ascertained that he is not so involved or that the matter has been duly considered and closed without prosecution, you are authorized to release the inclosed permit to Mr. Kennedy and transmit copies thereof to the banks involved, at the same time furnishing the Board complete information with respect to the disposition of this case in order that its records may be complete.

"It is assumed that in accordance with your report the non-attendance of the applicant at directors' meetings of the Farmers and Traders Savings Bank will be brought to his attention.

"The Board also desires that when you submit your recommendation as a result of your annual review of this permit you report fully as to the applicant's attendance at directors' meetings and whether any violations of the law by the applicant or officers and directors of the New Hampton bank have been reported."

Approved.

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

Mr. Frank W. Allen, for permission to serve at the same time as a director of The Mid-City National Bank of Chicago, Chicago, Illinois, and as a director of the Suburban Trust and Savings Bank, Oak Park, Illinois.

Mr. T. W. Robinson, for permission to serve at the same time as a director of the City National Bank and Trust Company of Chicago, Chicago, Illinois, as a director of the South Chicago Savings Bank, Chicago, Illinois, and as a director of the Personal Loan and Savings Bank, Chicago, Illinois.

Dr. S. C. Dean, for permission to serve at the same time as a director and officer of The Le Flore County National Bank of Poteau, Poteau, Oklahoma, and as a director and officer of the State Bank & Trust Company, Howe, Oklahoma.

Mr. H. H. Ostenberg, for permission to serve at the same time as a director and officer of The Scottsbluff National Bank, Scottsbluff, Nebraska, and as a director and officer of The First National Bank of Bayard, Bayard, Nebraska.

Mr. W. H. Ostenberg, Jr., for permission to serve at the same time as a director of The Scottsbluff National Bank, Scottsbluff, Nebraska, and as a director of The First National Bank of Bayard, Bayard, Nebraska.

Approved.

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Thereupon the meeting adjourned.

Clara Howell
Secretary.

Approved:

Ed Stach
Governor.