

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, July 9, 1934, at 12:35 p. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Martin, Assistant to the Governor  
Mr. Vest, Assistant Counsel

Governor Black stated that he had called the meeting primarily to consider the establishment of rates to be charged by Federal reserve banks on industrial advances to be made under the provisions of section 13b of the Federal Reserve Act, as amended. Mr. Morrill called attention to the fact that there were only four members of the Board present and that it had not been customary for the Executive Committee to pass upon rates of discount and purchase unless authority therefor had been specifically delegated by the Board for that purpose and suggested that the Governor might wish to invite Mr. O'Connor, Comptroller of the Currency, to attend the meeting in order that there might be a quorum of the Board present. Governor Black then asked Mr. Martin to explain the circumstances to Mr. O'Connor and invite him to attend the meeting. Mr. Martin withdrew from the meeting for this purpose but reported back immediately to the effect that Mr. O'Connor was not in the building and would not be available until later in the day. Governor Black said that, in view of the necessity for quick action on the recommendations which had been received from seven of the Federal reserve banks with respect to rates to be charged on industrial advances and

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the absence of the Secretary of the Treasury and of Messrs. Miller and Szymczak from the city, he was of the opinion that the Executive Committee should consider and act upon the matter.

Mr. Vest pointed out that the boards of directors of several of the reserve banks had established a spread of interest rates for direct advances to established industrial or commercial businesses and said that, while the Board has always held that it was necessary for it to fix specific rates of discount under section 14 of the Federal Reserve Act, it was his considered opinion that the Board had authority under section 13b of the Federal Reserve Act, as amended by the Act of June 19, 1934, to approve a spread of rates for industrial advances.

Mr. Hamlin suggested that it might be advisable to ask Mr. Parry, Assistant Director of the Division of Research and Statistics, to attend the meeting in order that he might advise the Board with respect to the experience of the Bank of England in making industrial loans and as to the rates charged thereon. Governor Black requested Mr. Martin to ask Mr. Parry to attend the meeting to advise the Board on this matter. Mr. Martin reported back that Mr. Parry was not in his office and would not be available until about 2:30 p. m. Governor Black thereupon suggested that the Executive Committee consider such other matters as might be on the docket and defer action on the question of rates until after Mr. Parry had been heard.

Mr. Morrill reported that the Treasury and the State Departments desired the cooperation of the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation

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in obtaining information with respect to deposits and other assets held by the banks of this country for the account of the Russian Government (past and present) and of Russian corporations, companies, partnerships, associations and individuals. To this end the Treasury had suggested that a questionnaire be sent out by the Federal Reserve Board to State member banks, by the Comptroller of the Currency to national banks, and by the Federal Deposit Insurance Corporation to nonmember State banks. Mr. Morrill stated that he had been informed that the Comptroller had agreed to do so and, in this connection, he would suggest that, should the Board take similar action, any circular letter transmitting such questionnaires to State member banks should indicate clearly that the questionnaires were being transmitted at the request of the Treasury. Mr. Morrill added that the proposed questionnaire provided for "yes" or "no" answers and that it was understood that if any State member banks reported that they had held such deposits or other assets the Treasury would desire to have the Board request detailed information with respect to such deposits or assets in order that it might complete its investigation. Governor Black said that, since it appeared that the State and Treasury Departments desired this action to be taken, he felt that the Federal Reserve Board should cooperate in the matter.

After brief discussion, the Committee authorized the transmission of such questionnaires to all Federal reserve agents with the request that they be sent to all State member banks in their respective districts with a covering letter indicating that such action is being taken at the request of the Secretary of the Treasury.

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Mr. Morrill reported that Mr. Owens, Secretary of the Federal Deposit Insurance Corporation, had called him on the telephone and requested that he be furnished with the information which the Board will publish in its annual report for 1933 with respect to the salaries of national bank examiners. In this connection, Mr. Morrill stated that, prior to the enactment of the Banking Act of 1933, the Federal Reserve Board had fixed the salaries of all national bank examiners in accordance with section 21 of the Federal Reserve Act, but that since that time the Comptroller had not submitted recommendations to the Board for approval and, therefore, it was proposed in publishing the salaries of national bank examiners in the annual report for the year 1933 that a footnote be inserted stating that:

"Since the enactment of the Banking Act of 1933, salaries of national bank examiners have not been submitted to the Federal Reserve Board for approval".

Mr. Morrill said that Mr. Awalt, Deputy Comptroller of the Currency, had been consulted regarding the matter and had suggested that the footnote be changed to read:

"Since the enactment of the Banking Act of 1933, salaries of National Bank Examiners are not submitted to the Federal Reserve Board for approval."

Mr. Morrill stated that Mr. Owens also requested that he be furnished with the information which will be published in the annual report for 1933 showing the salaries of officers and employees of the Federal Reserve Board. In the circumstances, he stated that there were three questions for consideration; (1) whether the list of salaries of national bank examiners should be published in the annual report

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for the year 1933, which is now in galley proof, with the footnote in the form suggested by the Board's staff or as proposed by Mr. Awalt, (2) whether Mr. Owens should be furnished with the information regarding salaries of national bank examiners in advance of the publication of the annual report for the year 1933, and (3) whether Mr. Owens should be furnished with a list of the salaries of officers and employees of the Federal Reserve Board prior to its publication in the annual report for the year 1933. Governor Black stated with regard to question number (1) that there was a question in his mind as to whether the provisions of the third paragraph of section 21 of the Federal Reserve Act did not make it obligatory for the Federal Reserve Board to fix the salaries of all national bank examiners. Mr. Vest stated that he was of the opinion that it is the duty of the Board to fix such salaries upon the recommendation of the Comptroller of the Currency, but that counsel for the Comptroller of the Currency had taken the view that because of amendments contained in the Banking Act of 1933 it was no longer necessary for the Comptroller to submit such salaries to the Board, and that, in the circumstances, the Comptroller had not submitted recommendations to the Board with regard to the salaries of national bank examiners since the enactment of the Banking Act of 1933, and, therefore, the Board is not in a position to exercise the responsibility devolving upon it under the provisions of that section of the law.

After discussion, the Executive Committee requested Mr. Vest to furnish it with a written opinion in regard to the Board's responsibility under the provisions of

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Section 21 of the Federal Reserve Act, as amended, and to prepare, for the Board's consideration, a letter to the Comptroller of the Currency calling attention to the Board's duty in the matter of fixing the salaries of all national bank examiners upon his recommendation.

The Committee thereupon instructed the Secretary to refer Mr. Owens' request for the list of salaries of national bank examiners to the Comptroller of the Currency, and authorized the Secretary to release to Mr. Owens the list of salaries of officers and employees of the Federal Reserve Board in the form in which they will be published in the annual report for the year 1933.

Mr. Morrill reported the progress made in negotiations with the management of the Washington Building for space to house the Board and its staff now located in the Treasury Building. Mr. Morrill stated that preliminary estimates of the cost of tearing down partitions and installing new partitions necessary to adapt the space to the needs of the Board and its staff indicated that an expenditure of approximately \$4,700 would be necessary for this purpose.

After discussion, the Committee authorized Mr. Morrill to conclude necessary arrangements for the requisite alterations.

The Committee then considered the following letter dated June 18, 1934, addressed to Governor Black by Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council:

"There has been considerable discussion among members of the Council in respect to the order of business at meetings of the Council. I have been requested to write to you and summarize some of the views expressed. The Council, I judge, would also be very glad to have you discuss this whole subject with other members of the Board if this is agreeable to you.

"In the first place, the members of the Council believe the best results can be obtained if topics, which the Board wishes to have discussed by the Council, be submitted in sufficient time to enable the members of the Council to discuss the subject with the proper authorities of the Federal Reserve bank of their respective district. It is naturally recognized that at times this may not be possible.

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"The members of the Council realize that there have been occasions when recommendations made by the Council have been formulated without complete knowledge of all the facts and data at the disposal of the Board. Undoubtedly in some of these instances if the Council had had the advantage of discussing the subject with the Board before making the recommendations, instead of afterwards, the recommendations would have been considerably changed.

"In view of these facts, the Council wishes to enquire of the Board as to the feasibility of the following plan of procedure:

"As you are probably aware, the Council has had a preliminary meeting on the Monday preceding the statutory meeting with the Board. The suggestion now is to have on Monday morning a very brief preliminary meeting with the Board at which the members of the Board will indicate to the members of the Council what they have in mind in connection with the topics submitted and furnish the Council with any data available. Members of the Council will have the right to address questions concerning the topics to the Board, but the idea is not to attempt at this preliminary meeting to have the Council express any views. In other words, it is merely a meeting to furnish the members of the Council with the necessary background and to bring them up to date. After this brief meeting the Council will then go to the Mayflower Hotel where it will have its usual meeting and then meet on Tuesday, as at present, with the Board and at this time present its recommendations.

"The members of the Council feel that some such order of business will make their recommendations more valuable to the Board. Before, however, adopting this revised order of business, the Council wishes to obtain the advice of the Board. It may be that the Board will be able to give some advice which will enable the Council to carry out better than at present its intention of keeping in closer contact with the affairs of the Federal Reserve System."

After discussion, the Executive Committee requested Mr. Morrill to advise Mr. Lichtenstein that the Board will be glad to cooperate with the Council in the manner suggested.

Mr. Morrill drew the attention of the Committee to a letter dated June 16, 1934, addressed to Governor Black by Deputy Governor Crane of the Federal Reserve Bank of New York, together with its inclosures consisting of a letter dated May 25, 1934, from the Bank for International Settlements and a copy of Mr. Crane's letter of June 16,

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1934, to the Postmaster General relating to a proposal, put forward at the Congress of the World Postal Union held in Cairo last March, to effect through the Bank for International Settlements the settlement of payments in respect of international postal transactions. Mr. Morrill stated that Mr. Crane's letter and inclosures had been acknowledged on June 19, 1934, and it appeared that no action by the Committee was necessary with respect thereto.

The Committee instructed the Secretary to make note of the correspondence in the minutes of the meeting and place it in the Board's files.

Consideration was given to the following resolution adopted by the Federal Reserve Agents' Conference held in Washington on May 7, 8, and 9, 1934, which was read by the Assistant Secretary:

"WHEREAS, interest rates have reached unprofitable levels from a banking standpoint,

"NOW THEREFORE, we recommend that the Federal Reserve Board discuss with those proper authorities the question of reducing the rate of interest on deposits of the Postal Savings System.

"WHEREAS, the Bank Act of 1933 insures deposits in all banks in the Federal Deposit Insurance Corporation, providing safety for depositors, and

"WHEREAS, the Postal Savings System tends in many instances to divert funds from local trade channels, and

"WHEREAS, there is reason to doubt that necessity for Government competition with local institutions when the need for the Postal Savings System has apparently been eliminated,

"WE SUGGEST, that the Federal Reserve Board give study to the question of the desirability of discontinuing the Postal Savings System."

It was the sense of the Executive Committee that the questions involved in the foregoing resolution should be discussed informally by Governor Black with the Secretary of the Treasury.

The Committee considered a proposed letter to Mr. Stevens,



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Federal Reserve Agent at the Federal Reserve Bank of Chicago, relative to the applications of Messrs. B. C. Ziegler and O. P. Klein under section 32 of the Banking Act of 1933 for permits to serve as officers and/or directors of The First National Bank of West Bend, and of B. C. Ziegler & Company, both of West Bend, Wisconsin, which letter contained the following statement:

"The Board therefore believes that the applications should be denied unless the resignation of the applicants would result in shaking public confidence in the bank or would otherwise endanger its continued successful operation to such an extent as to make the granting of these applications compatible with the public interest in spite of the general policy declared in Section 32."

The letter in question was prompted by representations made personally to members of the Board's staff by Mr. Ziegler as the result of the Board's letter written to Mr. Klein under date of April 28, 1934, denying his application for a permit under section 32, which stated that the Board is prepared to give careful consideration to any further facts or arguments which might be submitted in support of his application. Inasmuch as the factual situation with regard to Mr. Ziegler's application was substantially the same as that involved in the consideration of Mr. Klein's application, both were being dealt with in one letter. In circulating the letter for consideration of the members of the Board, attention was drawn to the fact that it was the first containing a statement such as that quoted above.

After discussion, the Committee directed that the statement referred to be deleted from the letter, and authorized the Secretary to send it in the following form:

"Reference is made to the applications of Messrs. B. C. Ziegler and O. P. Klein under Section 32 of the Banking Act of 1933 for permits to serve as officers and/or directors of The First National Bank of West Bend, and of B. C. Ziegler & Company,

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"both of West Bend, Wisconsin.

"The applications disclosed that B. C. Ziegler & Company is engaged primarily in the purchase, sale, or negotiation of securities within the meaning of Section 32, and accordingly, the Federal Reserve Board, by a letter dated April 28, 1934, notified Mr. Klein that it was unable to find that it would not be incompatible with the public interest to grant his application. It appears that the application of Mr. Ziegler presents the same considerations, although he has not been notified of that fact by letter.

"On May 2, 1934, Mr. Ziegler called at the Board's offices and discussed these applications with a member of the Board's staff. Mr. Ziegler stated that it would be impossible to replace the applicants with other competent directors. Mr. Ziegler also stated that because he was the founder and principal stockholder of the bank and because Mr. Klein was its most active and valuable executive officer, public confidence in the bank would be shaken if these two applicants should resign.

"While as indicated above, it appears that the relationships here involved are within the class which Section 32 was designed to terminate, and the Board therefore believes that the applications should be denied, it will be appreciated if you will investigate the matter and inform the Board regarding the facts and your conclusion with respect thereto. In view of the fact that the Board already has before it the views of the applicants, it is suggested that the requested information be developed from sources other than the applicants themselves.

"For your information and files, there is inclosed a copy of a telegram received from the First National Bank of West Bend dated June 14, 1934 and a copy of the Board's reply."

In connection with the above, the Committee also approved the following letter to The First National Bank of West Bend, West Bend, Wisconsin:

"Reference is made to your telegram dated June 14, 1934, which reads as follows:

'Directors Klein and Ziegler are continuing in accordance with understanding with your Board which was that they were to continue unless advised otherwise. Stop. If you have reached any other decision wire. Stop. This has reference to your letter of April twenty-eighth.'

"The Board still has the applications of Mr. Klein and Mr. Ziegler under consideration, and until it makes a final decision with respect to said applications, it will take no other action with respect to the relationships involved."

At this point Mr. Parry, Assistant Director of the Division of Research and Statistics, entered the meeting and reported that the

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division had no data available with respect to the experience of the Bank of England in making industrial loans and rates of interest charged thereon. Mr. Parry said that it was reported that good grade industrial bonds in England yield approximately 4.58%, whereas similar bonds in this country yield approximately 4%. In response to a query by Governor Black, Mr. Parry said that, in his judgment, without having an opportunity to investigate the matter fully, not less than a 5% rate would prevail in England for three to five year loans similar to the industrial advances which the Federal reserve banks are authorized to make under the Act of June 19, 1934. Mr. James said in this connection that Governor Norman of the Bank of England had told him that the announced interest rates established by the Bank of England were not controlling and that such rates established by the bank were not necessarily indicative of the rates actually charged on industrial loans. Governor Black stated that he preferred a range of rates and agreed with a suggestion made by Mr. Morrill that variations might be desirable to meet conditions in different localities in any particular Federal reserve district. Mr. James pointed out that it would be desirable to avoid direct competition with the usual lending agencies by fixing rates which would divert business from the customary channels.

After a full discussion, the Committee approved, effective July 10, 1934, the following rates on industrial advances established, subject to the approval of the Federal Reserve Board, by the boards of directors of the Federal reserve banks referred to below:

Direct advances to established industrial or commercial businesses:

New York

4% to 6% per annum

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Philadelphia	5% to 6% per annum
Cleveland	6% per annum
Richmond	6% per annum
Chicago	5% to 6% per annum
St. Louis	5 1/2% per annum
Kansas City	6% per annum

Advances to banks and other financing institutions:

New York	3% per annum on portions of advances for which institutions retain responsibility
	4% to 5% per annum on portions of advances for which institutions are relieved of responsibility
Philadelphia	1% per annum above prevailing discount rate on portions of advances for which institutions retain responsibility
	Same rate as made to borrower, but not less than 4% per annum, on portions of advances for which institutions are relieved of responsibility
Cleveland	4% per annum on portions of advances for which institutions retain responsibility
	1% per annum less than rate charged by financing institution to its customers, but not less than 4% per annum, on portions of advances for which institutions are relieved of responsibility
Richmond	6% per annum on industrial advances to financing institutions other than banking institutions
	5% per annum on industrial advances to banking institutions
Chicago	5% to 6% per annum
St. Louis	4 1/2% per annum
Kansas City	4% per annum

Commitments to make industrial advances:

New York	1% to 2% per annum
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Cleveland	1/2% to 1% per annum
Richmond	1% to 2% per annum
St. Louis	1/2% flat for commitments not exceeding six months
Kansas City	2% per annum on direct advances to established industrial or commercial businesses 1% per annum on advances to financing institutions.

In this connection, the Committee noted that the directors of the Federal Reserve Bank of Philadelphia had fixed no charge for commitments but expected such charge to depend upon the length of the commitment and the circumstances. The Federal Reserve Bank of Chicago submitted no recommendation with respect to commitment rates.

Mr. Morrill called attention to the fact that the letter received under date of July 5, 1934, from Mr. Tiebout, Acting Assistant Secretary of the Federal Reserve Bank of New York, advising of the establishment of rates on industrial advances under the provisions of section 13b of the Federal Reserve Act, as amended, also advised that the board of directors of the bank, at its meeting on July 5, made no other changes in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Mr. Morrill called attention to the fact that the telegram received under date of July 6, 1934, from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, advising of the establishment of rates on industrial advances under the provisions of section 13b of the Federal Reserve Act, as amended, also advised that the board of directors of the bank, at its meeting on July 6, voted to establish a rate

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of 5 1/2% per annum on advances to individuals, partnerships and corporations under the third paragraph of section 13 of the Federal Reserve Act, effective on the first business day following that on which approved by the Federal Reserve Board, and that the directors made no other changes in the bank's existing schedule of rates of discount and purchase other than the establishment of the rate referred to above and the rates on industrial advances.

The Executive Committee approved, effective July 10, 1934, the rate of 5 1/2% per annum established by the directors of the St. Louis bank on advances to individuals, partnerships and corporations under the third paragraph of section 13 of the Federal Reserve Act, and, without objection, noted with approval that no other changes were made in the bank's existing schedule of rates of discount and purchase other than the establishment of this rate and the rates on industrial advances.

Mr. Morrill further called attention to the fact that the telegram received under date of July 6, 1934, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, advising of the establishment of rates on industrial advances under the provisions of section 13b of the Federal Reserve Act, as amended, also advised that the board of directors of the bank, at its meeting on July 6, voted to establish rates of 4% per annum on advances to member banks under section 10(b) of the Federal Reserve Act, as amended, and 5% per annum on advances to individuals, partnerships and corporations under the third paragraph of section 13 of the Federal Reserve Act, as amended, and that the directors made no other changes in the bank's existing schedule of rates of discount and purchase other than the establishment of these rates and the rates on industrial advances.

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The Executive Committee approved, effective July 10, 1934, the rates of 4% per annum established by the directors of the Kansas City bank on advances to member banks under section 10(b) of the Federal Reserve Act, and 5% per annum on advances to individuals, partnerships and corporations under the third paragraph of section 13 of the Federal Reserve Act, and, without objection, noted with approval that no other changes were made in the bank's existing schedule of rates of discount and purchase other than the establishment of these rates and the rates on industrial advances.

The Committee then considered and acted upon the following matters:

Telegrams dated July 6, 1934, from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, and July 9, 1934, from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, 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.

Renewal bond, in the amount of \$50,000, executed on June 30, 1934, by Mr. H. H. Rhodes, as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City.

Approved.

Telegram dated July 6, 1934, approved by three members of the Board, to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"Your telegram. Board approves appointment by your bank of

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"following members of Industrial Advisory Committee of First District: Albert M. Creighton, Winthrop L. Carter, Robert Amory, Edward M. Graham and Carl P. Dennett, it being understood on basis of information submitted that each of the above-named persons is actively engaged in some industrial pursuit within the First District."

Approved.

Telegram dated July 7, 1934, approved by three members of the Board, to Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"Retel. Board approves appointment by your bank of following members of Industrial Advisory Committee of Tenth District: Walter J. Berkowitz, D. Bruce Forrester, R. L. Gray, Ed. S. Miller, and L. F. Rooney."

Approved.

Letter dated July 6, 1934, approved by three members of the Board, to Mr. Gerard C. Besse, Assistant Treasurer of the Hyannis Trust Company, Hyannis, Massachusetts, reading as follows:

"Replying to your letter of June 30, 1934, in which you inquire if a duplicate of your certificate of membership in the Federal Reserve System may be furnished for posting in the branch office of your institution, you are advised that it is the practice of the Board to issue only the one certificate to any member bank. The Board would offer no objection, however, to your obtaining a photostat copy of the certificate, which may serve your expressed purpose."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, 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 Moravia', Moravia, New York, from \$130,000 to \$52,000, pursuant to a plan which provides that the bank's



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"capital shall be increased by \$120,000 of preferred stock to be sold to the Reconstruction Finance Corporation and others, and that the released capital, together with such portion of the bank's surplus and undivided profits accounts as your office may require, shall be applied toward the elimination of estimated losses and depreciation in lower grade securities, all as set forth in your memorandum of June 21, 1934.

"In considering the plan under which the reduction in common capital stock is to be effected, it has been noted that, according to an appraisal of the bank's investment securities made by an examiner for the Reconstruction Finance Corporation, as of March 17, 1934, securities depreciation in the amount of approximately \$33,000 is not provided for. This depreciation if considered as a loss, would impair the bank's common capital by a corresponding amount. It is assumed, however, that you have this condition in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, 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 of 'The National State Bank of Elizabeth', Elizabeth, New Jersey, from \$700,000 to \$350,000, pursuant to a plan which provides that the bank's capital shall be increased by \$960,000 of preferred stock to be sold to the Reconstruction Finance Corporation and others, and that the released capital, together with such portion of the bank's surplus and undivided profits as may be necessary, shall be used to eliminate estimated losses and securities depreciation, all as set forth in your memorandum of June 23, 1934."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, 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 Harrison', Harrison, Ohio, from \$50,000 to \$25,000 pursuant to a plan which provides that the bank's

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"capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate a corresponding amount of the least desirable assets in the bank, all as set forth in your memorandum of June 26, 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 First National Bank of Villa Grove', Villa Grove, Illinois, 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 shall be used to eliminate unsatisfactory assets in the amount of approximately \$14,450, and to establish a surplus fund in the amount of approximately \$10,550, all as set forth in your memorandum of June 23, 1934."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, 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 Wilmington', Wilmington, Illinois, from \$50,000 to \$37,500, pursuant to a plan which provides that the bank's capital shall be increased by \$12,500 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital together with a portion of the bank's undivided profits account shall be used to eliminate unsatisfactory assets in the amount of approximately \$16,311.50, all as set forth in your memorandum of June 27, 1934."

Approved.

Letter to Mr. John S. Battle of Perkins & Battle, attorneys and counsellors at law, Charlottesville, Virginia, reading as follows:

"This is in reply to your letter of June 28, 1934, with

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"respect to The Scottsville National Bank, Scottsville, Virginia. As the statements made in your letter indicate that The National Corporation controls a majority of the shares of capital stock of The Scottsville National Bank, the Corporation is a holding company affiliate of the Bank within the definition of that term contained in Section 2(c) of the Banking Act of 1933 and accordingly none of the shares of stock of the Bank controlled by the Corporation may validly be voted unless the Corporation shall have first obtained from the Federal Reserve Board a voting permit under Section 5144 of the Revised Statutes of the United States, as amended.

"Forms upon which an application for such permit may be made are obtainable from the Federal Reserve Agent at the Federal Reserve Bank of Richmond, Richmond, Virginia. By letter of even date herewith the Board has advised the Federal Reserve Agent that inasmuch as a voting permit is here desired solely to consummate the liquidation of the subsidiary Bank, the application of The National Corporation may be made in a somewhat simpler form than that usually required. It should be understood, however, that if the information furnished by the applicant indicates that additional information is necessary in order that the Board may determine whether or not the permit should be granted, the Board has not waived any right to require such information by having permitted the application to be made in the first instance in an abbreviated form."

Approved.

Letter dated July 6, 1934, approved by three members of the Board, to Governor Harrison of the Federal Reserve Bank of New York, reading as follows:

"Further reference is made to your letter of June 29, receipt of which was acknowledged in my letter of July 3, in regard to the proposed addition to and alterations of the present bank building of the Federal Reserve Bank of New York. The Board has noted that the directors, having previously approved the general plans for the proposed addition and alterations, voted to authorize the officers after having obtained the approval of the Federal Reserve Board to proceed with the building operation on the basis of the estimated budget of expenses, totaling \$999,427.

"After consideration of this matter in the light of the explanations contained in your letter the Board approves the proposed budget and in accordance with its practice in the past in similar matters will appreciate being advised as to the bids received for the proposed construction before their final acceptance by the Federal Reserve Bank of New York, together with a statement

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"as to which of the bids the board of directors of the bank desires to accept."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, to the Federal Reserve Bank of New York, reading as follows:

"In the absence of Governor Black receipt is acknowledged of Mr. Knoke's letter of July 3, 1934, and the inclosures transmitted therewith regarding an arrangement between the Banco de Venezuela, the Central Hanover Bank and Trust Company, and the Federal Reserve Bank of New York, involving the purchase for the account of the Banco de Venezuela of approximately \$750,000 in gold bars. It is noted that if later approached by the Banco de Venezuela you propose to express your willingness to earmark gold for its account and ask to be advised whether such action meets with the approval of the Federal Reserve Board.

"In the circumstances disclosed by the correspondence such action if taken by the Federal Reserve Bank of New York will meet with the approval of the Federal Reserve Board.

"If this matter should lead to a request by the Banco de Venezuela to the Federal Reserve Bank of New York to open an account it is assumed that such request will be submitted to the Board for approval in the usual manner."

Approved.

Letter dated July 7, 1934, approved by three members of the Board, to Mr. Joseph V. McKee, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of June 26, 1934, in which you request that an application be made to the Department of Justice for a ruling on the question whether or not a resumption by the Title Guarantee and Trust Company of New York City of its former activities in regard to the sale of whole real estate mortgages, as distinguished from certificates of participation, would violate the provisions of Section 21(a) of the Banking Act of 1933. In view of the statements in your letter, the Federal Reserve Board is transmitting a copy thereof to the Attorney General of the United States for such consideration as he may deem advisable in the circumstances."

Approved.

Letter dated July 6, 1934, approved by three members of the Board, to Dr. Frederick D. Keppel, Syracuse, New York, reading as

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follows:

"Your letter of April 16, 1934, addressed to the Treasury Department, inclosing a letter from The Merchants National Bank and Trust Company, Syracuse, New York, dated April 14, 1934, has been referred to the Federal Reserve Board.

"It is understood that you wished to be advised why The Merchants National Bank and Trust Company, with which you have a savings account, refuses to retain in its possession your savings pass book in order to eliminate the necessity of presenting such pass book each time a withdrawal is made by you.

"If the bank retains your pass book and permits you and members of your family to draw checks against the account, the account would have to be classified as a deposit payable on demand; and member banks of the Federal Reserve System are forbidden to pay interest on deposits payable on demand by the provisions of Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933.

"Under the definition contained in Section V(a) of the Board's Regulation Q, a copy of which is inclosed herewith, a deposit may not be classified as a 'savings deposit' if it does not consist of funds in respect to which the pass book or other form of receipt evidencing such deposit must be presented to the bank whenever a withdrawal is made. It is the opinion of the Federal Reserve Board that a deposit in respect to which the pass book or other form of receipt is retained by the bank or by an officer, employee, or agent thereof, rather than by the depositor, does not comply with this requirement and does not constitute a savings deposit, but that it must be considered a deposit payable on demand upon which no interest may be paid under the law. A pass book is a depositor's receipt and his evidence of the deposit, and if the pass book is retained by the bank it fails of its purpose. Moreover, the apparent purpose of an arrangement for the retention of a pass book by the bank is to render the account subject to check without the necessity of presenting the pass book, and an account subject to check in such manner cannot properly be classified as a savings deposit within the meaning of Section 19 of the Federal Reserve Act.

"In regard to the danger of your losing your money, your attention is invited to the fact that under the provisions of the Banking Act of 1933 each licensed member bank of the Federal Reserve System, including each licensed national bank, was required to become a member of the Temporary Federal Deposit Insurance Fund on or before January 1, 1934. Every deposit in each such bank is insured by the Federal Deposit Insurance Corporation up to an amount not exceeding \$5,000 of the net claim against the bank."

Approved.

Telegram dated July 7, 1934, approved by three members of the

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Board, to Governor Calkins, of the Federal Reserve Bank of San Francisco, reading as follows:

"Your July 5 wire regarding Board's TRANS 2025, as you were advised on that date text accompanying weekly condition statement contained paragraph regarding elimination of F.D.I.C. stock from weekly statement. Subsection (e) of Section 13b provides that within the meaning of that Section the sum paid to each Federal Reserve bank by the Secretary of the Treasury shall become a part of the surplus fund of such bank and, in these circumstances, Board feels that it should be shown as surplus in weekly statement, though separately from surplus accumulated out of net earnings. Inasmuch as funds received from Secretary of the Treasury are to be included in surplus there would be a duplication in weekly condition statement unless amount of F.D.I.C. stock owned was reduced by amount received from Treasury at time of such receipt. This thought to be undesirable. As you know, Section 12B provides that Class B stock owned by a Federal Reserve bank shall not be entitled to any dividends; whereas Class A stock owned by member banks, as well as stock owned by United States Government, is entitled to dividends. Fact that stock is nonproductive asset and no provision is made in Section 12B for its retirement, taken together with provisions of Section 13b, seem to fully justify elimination of stock from weekly condition statement."

Approved.

Letters dated July 6, 1934, approved by three members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. James D. Tate, for permission to serve at the same time as a director and officer of The Marion National Bank, Marion, Virginia, as a director and officer of The Bank of Glade Spring, Glade Spring, Virginia, and as a director and officer of the Farmers Exchange Bank, Incorporated, Abingdon, Virginia.

Dr. Albert J. Pullen, for permission to serve at the same time as a director and officer of The First Wisconsin Bank, North Fond du Lac, Wisconsin, and as a director of the National Exchange Bank of Fond du Lac, Fond du Lac, Wisconsin.

Approved.

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

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<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
The Bridgeville National Bank, Bridgeville, Pennsylvania	36	36
<u>District No. 5.</u>		
The Washington County National Bank of Abingdon, Abingdon, Virginia	72	72
<u>District No. 6.</u>		
The Calcasieu-Marine National Bank of Lake Charles, Lake Charles, Louisiana	360	360
<u>District No. 8.</u>		
First National Bank in Olney, Olney, Illinois	36	36
	<u>Total</u>	<u>504</u>

Approved.

Thereupon the meeting adjourned.

Robert Howell  
Secretary.

Approved:

Ed Black  
Governor.