

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, October 6, 1934, at 11:00 a. m.

PRESENT: Mr. Thomas, Vice Governor
Mr. James
Mr. Szymczak

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Committee considered and acted upon the following matters:

Letter to the chairmen of all Federal reserve banks, reading as follows:

"At a recent meeting, the System Committee on Legislative Program authorized the technical staff to obtain such help as might be necessary to accomplish its purpose expeditiously. It is anticipated at this time that the additional services required will be one or two junior assistants and two stenographers, bringing the total expenses of the committee, including the salary of Mr. Walter R. Stark to an amount not to exceed \$2,000 per month.

"The action of the committee, which meets with the Board's approval, was taken with the understanding that the expenses would be paid by the Federal Reserve Bank of New York and allocated among the twelve Federal reserve banks in the manner referred to in the Board's letter of September 25, 1934, X-8020, with regard to the salary of Mr. Walter R. Stark, secretary of the committee.

"It will be appreciated if you will submit to your directors the matter of the allocation to your bank in the manner referred to of a portion of the additional expense involved, and forward to the Board advice of their decision. Several of the banks, in response to the Board's letter of September 25, have already advised of approval by their directors of the allocation to the banks of a portion of the expense involved in connection with the employment of Mr. Stark."

Approved.

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

"In accordance with the request contained in your letter of October 1, 1934, the Federal Reserve Board approves the appointment on a permanent basis of Mr. George T. Barry as an examiner, and of Messrs. Harold C. White and Benjamin F. Groot as assistant examiners; the temporary appointment of these employees having previously been

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"approved by the Board."

Approved.

Telegram dated October 5, 1934, approved by three members of the Board, to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Board approves employment for period of two months of Frederick E. Worden, with salary at the rate of \$700 per month, plus necessary travelling expenses, for special duties outlined your telegram October 4."

Approved.

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

"In response to your letter of September 17, 1934, you are advised that, in accordance with the action taken by your Board of Directors at its meeting on September 14, 1934, the Federal Reserve Board approves an increase in the salary of Mr. Robert S. Parker, General Counsel of the bank, by the amount of \$500 per month, effective July 1, 1934, in view of the greatly increased demands upon his time resulting from the work required in connection with industrial loans."

Approved.

Letter to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"In response to your letters of August 25 and September 22, 1934, you are advised that the Federal Reserve Board has approved the action taken by the Executive Committee of the Federal Reserve Bank of Atlanta, on August 24, 1934, with the approval of your counsel, in authorizing the payment of \$1,500 to Messrs. McKay, Withers & Ramsey as part payment for legal services rendered in connection with the direct and indirect indebtedness of the Florida Asphalt Block Paving Company."

Approved.

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

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"Receipt is acknowledged of your letter of September 7, 1934, and you are advised that the Federal Reserve Board has approved the salary fixed by your bank in connection with the employment of Mr. Paul C. Hodge of Chicago as assistant to the General Counsel of the Federal Reserve Bank of Chicago, at the rate of \$250.00 per month, effective September 6, 1934.

"It is noted that Mr. Hodge is not indebted to any banks but is indebted to others in amounts aggregating approximately \$500 for rental and gas and electric bills accruing during a period of several months' unemployment, and that he has arranged to take care of this indebtedness on a basis of monthly payments."

Approved.

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

"Your letters October third. Board approves designation of sixteen employees of head office and four employees of Spokane Branch as assistant examiners without change in compensation. Board understands that such designations are on temporary basis and that none of the individuals will be transferred permanently to examining work without Board's approval."

Approved.

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

"Reference is made to Mr. Dillistin's letter of September 25, 1934, recommending that the 'Lawyers County Trust Company', New York, New York, which was admitted to membership April 13, 1933, be granted an extension of time to March 1, 1935, within which to comply with condition numbered 19, which reads as follows:

19. Such bank shall, within six months from the date of its admission to membership, dispose of any loans which may be secured in whole or in part by its own stock or obtain other security for each such loan.

"The Board has reviewed the information submitted in connection with the request of the bank for an extension of time within which to comply with the condition, and, in view of the recommendation of your office, grants an extension of time to March 1, 1935, within which the bank shall dispose of these loans, or obtain other security therefor. Please advise the bank accordingly.

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"The report of credit investigation of the bank as of May 19, 1934, reflects estimated losses of \$703,943.82. It will be appreciated if you will advise the Board as to what action has been taken by the bank regarding the elimination of these losses.

"It will be appreciated, also, if you will advise the Board as to the status of the loans of \$61,150 to Morris S. Tremaine and of \$19,575 to H. K. Wallace-Frank Wehl Company, Inc., referred to in the Board's letter of June 8, 1933, Mr. Downs' letter of June 12, 1933, and the analysis of the report of examination of the bank as of October 18, 1933, made by State examiners. These loans were carried at the branch at the time of admission to membership, and the report of credit investigation made by your examiner lists only the criticized loans in the head office."

Approved.

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

"Reference is made to the report of examination of the 'Peoples Trust Company of Bergen County, Hackensack', New Jersey, as of May 10, 1934, from which it is noted that the bank has increased its investment in the stock of, and advances to, its affiliate, 210 Main Street Corporation, a holding company for the premises occupied by the bank and its branches, to \$1,221,000, an amount in excess of the bank's capital stock of \$750,000.

"From the information submitted it appears that the increased investment in and advances to the 210 Main Street Corporation do not represent the acquisition of any new properties not formerly owned by the respective banks now forming the Peoples Trust Company of Bergen County, nor, except for the write-up of \$100,000 in the carrying value of the main office building, as previously reported in connection with the absorption of the four banks, does it represent an increase in the total carrying values of the various banking premises formerly carried by the respective banks. In view of the circumstances and your previous recommendation that the Board interpose no objection to the consolidation of the five banks, the Board, pursuant to the provisions of section 24A of the Federal Reserve Act, approves the investment of the Peoples Trust Company of Bergen County of \$1,200,000 in the stock of the 210 Main Street Corporation and the extension of credit of \$21,000 to that corporation, provided that the transaction is approved by the appropriate State authorities, if such approval is necessary. In approving the transactions in question, the Board understands that the 210 Main Street Corporation is engaged solely in holding the bank premises of the member bank with which it is affiliated and, therefore, that the transactions do not come within the provisions of section 23A of the Federal Reserve Act.

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"It is observed from the report of examination that a question has arisen regarding legality of the stockholders' meetings held in connection with the absorption of the four banks by the Peoples Trust & Guaranty Company of Hackensack, inasmuch as at the time Crum and Foster and Crum and Foster Investment Securities Corporation may have been holding company affiliates of the banks, although no voting permits have been issued. The analysis of the report of examination prepared by your office discloses that Crum and Foster Insurance Shares Corporation, instead of Crum and Foster Investment Securities Corporation, may be a holding company affiliate. It is understood that this matter is now under investigation by your office and it will be appreciated if you will forward your report thereon as soon as possible, together with information as to the correct title of the affiliates."

Approved.

Telegram dated October 5, 1934, approved by three members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, referring to the application of the "Williams Valley Bank", Williamstown, Pennsylvania, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Williams Valley Bank, the Federal Reserve Bank of Philadelphia is authorized to cancel such stock and make a refund thereon.

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, with regard to the matters commented on in the report of examination of the "W. B. Worthen Company", Bankers, Little Rock, Arkansas, as of January 9, 1934.

Approved.

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

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follows:

"Receipt is acknowledged of your memorandum of September 26, 1934, with reference to the proposed reduction in common capital stock of 'The North Berwick National Bank', North Berwick, Maine, which was approved by the Board on December 22, 1933, pursuant to a plan which provided in part for the sale of \$100,000 of preferred stock at a premium of \$25,000, but to be redeemable at par, payment for such stock to be made by using the subordinated deposit of \$125,000 held by the bank.

"You advise that the bank now proposes to amend its original plan of recapitalization to provide for the sale of \$125,000 of preferred stock at par, payment for which is to be made in the same manner as in the original plan.

"In accordance with your recommendation, the Board approves the amendment to the original plan as set forth in your memorandum of September 26, 1934, with the understanding that the other provisions of the plan, including the sale of \$25,000 of new common stock locally, remain unchanged. This approval supersedes the Board's approval of December 22, 1933 of the original plan of capital reduction.

"In considering the amended plan it has been noted that while the total amount of capital will be increased by \$25,000, the amount of eliminations which can be effected will be reduced by that amount, and that after application of the released capital and the bank's surplus and undivided profits to the elimination of criticized assets, there will remain unprovided for approximately \$106,000 of depreciation in securities which, if considered as a loss, will impair the bank's adjusted capital by that amount, and will leave unimpaired capital (without considering the doubtful assets) of but approximately \$69,000, as compared with deposits of \$899,000, based upon the report of examination of January 29, 1934."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has given consideration to the application of "Hamilton National Associates, Incorporated", Chattanooga, Tennessee, 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 Hamblen National Bank of Morristown", Morristown, Tennessee, and has authorized the issuance

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of a limited permit to the applicant for the following purpose:

"To act at any time prior to December 31, 1934, upon a proposal or proposals to authorize an increase in the common and/or preferred stock of such bank and to do all things necessary for such purpose, provided that such proposal or proposals shall be in accordance with a plan or plans which shall be satisfactory to the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to Hamilton National Associates, Incorporated, a limited voting permit in accordance with the telegram, and stated that it is understood that the applicant has advised the agent that the agreements executed by the applicant on January 10 and June 6, 1934, have been complied with.

Approved.

Memorandum dated October 4, 1934, from Mr. DuBois, Assistant Counsel, recommending the publication in the next issue of the Federal Reserve Bulletin of the text of Regulation T with respect to the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges, and of an interpretation of section 7(a) of the regulation with respect to "old accounts" in the form released to the press on October 2, 1934, a copy of which was attached to the memorandum.

Approved.

Telegram dated October 5, 1934, approved by three members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

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"In response to inquiry from a Federal Reserve Agent as to method of distributing rulings under Regulation T, Board suggests that they not be sent direct to all brokers and dealers in District by Federal Reserve Agents but be sent only to exchanges in District, in order to encourage brokers and dealers to submit inquiries through exchanges instead of direct to Federal Reserve Agents. There is no objection to sending copies of such rulings in answering specific questions submitted to Federal Reserve Agents, but it would seem advisable that each answer to a question submitted direct by a broker or dealer be accompanied by a suggestion that future inquiries be submitted through exchanges. There is no objection to establishment by Federal reserve agents, in their discretion, of mailing lists for distribution of rulings under Regulation T, to attorneys, accountants, financial information service organizations and other persons who would not normally be expected to obtain information through the Securities Exchanges. It would be permissible to send to persons on such mailing lists all rulings under Regulation T which are communicated to all Federal reserve agents in telegrams bearing 'Trans. Numbers' or in mimeographed letters bearing 'X' numbers, unless otherwise indicated in such telegrams or letters."

Approved.

Telegram dated October 5, 1934, approved by three members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In reply to an inquiry Board has ruled that under section 4(d) of Regulation T new purchases may be made in restricted accounts if additional margin in the account required by section 3 to cover such new purchases is demanded on same day and is obtained within time allowed by section 4(e), even though the account is not made an unrestricted account."

Approved.

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

"Re wire from Gettemy October 5th. Under section 11(c) of Regulation T delivery to Federal Reserve Agent of duplicate originals of form T-1, properly executed, constitutes filing with Federal Reserve Board, even though certificate on Form T-3, evidencing such filing, has not been issued. As to cancellation by bank of agreement on Form T-1 which it has filed, please refer to Trans. No. 2100."

Approved.

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

"This refers to your letter of July 19, 1934 respecting the status of mutual savings banks in view of certain provisions of section 8 of the Securities Exchange Act of 1934. Section 8 prohibits members of national securities exchanges and certain brokers and dealers to borrow from non-member banks unless such banks have filed with the Federal Reserve Board an agreement to comply with those provisions of the Securities Exchange Act of 1934, the Federal Reserve Act, as amended, and the Banking Act of 1933 which are applicable to member banks and which relate to the use of credit to finance transactions in securities. As certain of these provisions relate to the capital and surplus of banking institutions you indicate that there is a question as to their applicability to mutual savings banks which have no capital and ordinarily do not have what is called a surplus, although you state that they may have a guaranty fund similar to surplus.

"As suggested in the concluding sentence of your letter, the Board has borne these facts in mind during the preparation of its regulations under the Securities Exchange Act of 1934, but the question which you raise is one which it is impossible to answer either in the regulations or by a letter at this time. As the answer to the inquiry will depend in each case upon the interpretation of a provision of law in view of the applicable facts of a specific case, it is suggested that any interested mutual savings bank deliver to you for submission to the Board a full statement of facts and specific reference to the provisions of law with respect to which the question is raised. The propriety of treating a guaranty fund as surplus within the meaning of the Federal statutes will depend in part upon the law of the state under which the mutual savings bank is incorporated and it would be helpful to the Board if the presentation of facts could be accompanied by an opinion of your counsel or of counsel for the inquiring bank, which would deal particularly with this aspect of the question."

Approved.

Telegram dated October 5, 1934, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Referring Downs' letter October 2 and your wire October 3 regarding New York Stock Exchange inquiry No. 6 under Regulation T, Board prefers not to issue ruling without clearer presentation of

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"question involved, but invites attention to fact that extension of time is not necessary in connection with cash transaction unless credit is extended in connection with such transaction. If you still desire a ruling on this question, it is suggested that you submit complete statement of facts in a specific case, including location of seller, location of purchaser, location of exchange on which sale is made, terms of sale, full statement of circumstances giving rise to delay in delivery and all other material facts."

Approved.

Letter to Mr. Leigh Mitchell Hodges, Philadelphia, Pennsylvania, reading as follows:

"The Securities and Exchange Commission has referred to the Federal Reserve Board for consideration and reply a copy of your letter of September 7, 1934, regarding the maintenance of credit which was extended prior to the enactment of the Securities Exchange Act of 1934.

"There is inclosed herewith for your information a copy of Regulation T relating to margin requirements, which the Board has issued under the Securities Exchange Act of 1934. You will note that there is nothing in the Board's regulation which, in the absence of new transactions, will require a broker either to obtain additional margin or to close out all or part of an account. In its regulation, however, the Board does not, and under the Act cannot, prevent a broker from demanding margin which though not required by the Board's regulation is deemed by the broker to be desirable for his own protection. Similarly, the Board does not and cannot prevent a broker from closing out an account or selling part of the securities therein."

Approved.

Telegram dated October 5, 1934, approved by three members of the Board to Governor Schaller of the Federal Reserve Bank of Chicago, reading as follows:

"In view of information contained your wire October 4 regarding V. F. Jolliff application for industrial loan, opinion your counsel in this case need not be furnished. However, Board desires report containing detailed history of application including full statement of all pertinent facts and of action taken by Advisory Committee and bank, respectively, for its information and completion of its files."

Approved.

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Letter dated October 5, 1934, approved by three members of the Board, to Governor Geery of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of September 17, 1934, with regard to the application of the McBean-Nesbitt Company, St. Paul, Minnesota, for a loan of \$15,000 under the provisions of section 13b of the Federal Reserve Act.

"It is noted that the application in question was submitted to the Industrial Advisory Committee which denied it on the ground that a real estate business could neither be classed as commerce or industry and further that a loan for the purpose of paying delinquent taxes and delinquent installments on the purchase price of real estate could hardly be considered a loan for working capital. It does not appear, however, that this application was submitted to or considered by the Federal reserve bank and it will be appreciated if you will advise the Federal Reserve Board as to whether this was done. In this connection, your attention is invited to the fact that while the law requires the Industrial Advisory Committee to make a recommendation with respect to each application for a loan under section 13b of the Federal Reserve Act, the decision as to the grant or refusal of such an application should be made by the Federal reserve bank and, accordingly, applications should have the consideration of the reserve bank as well as that of the Industrial Advisory Committee.

"It is also noted that the letter dated August 16, addressed by Mr. Barton to the applicant in this case advises that it was the decision of the Industrial Advisory Committee that the loan could not be granted in compliance with the law or regulations, but the letter does not state that the matter was considered by the Federal reserve bank nor does it state the reason for the refusal of the application. The Federal Reserve Board feels that it is desirable in a case in which an application is refused by a Federal reserve bank that the applicant should ordinarily be advised of the reasons making such refusal necessary."

Approved.

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

"The attention of the members of the Federal Reserve Board has been called to your letter of September 28, 1934, in which you state that it might be difficult to arrange a time when most of the members of your board of directors could be present at a meeting with the Federal Reserve Board in Washington, unless such a meeting could be

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"arranged for some time in October.

"As stated in the last paragraph of the Board's letter of September 19, 1934, it is contemplated that when replies are received from all Federal reserve banks as to when it will be convenient for the respective boards of directors to meet with the Federal Reserve Board, a schedule will be made up of dates for such meetings and the banks advised as to whether the dates suggested can be fitted into the general schedule. Inasmuch as it may not be possible to arrange a meeting with the board of directors of your bank during the month of October, it is suggested that your board give consideration to the convenience of some date subsequent to this month, and, if you find it difficult to determine upon a date in November or December, that your directors suggest a date for a meeting some time after the first of the year.

"You also inquire as to questions which the Board will discuss with your directors at the proposed meeting. The Board is giving consideration to matters which it will wish to consider with the directors of the various banks and you will be advised thereof before the date finally set for the meeting with your board and an opportunity will be afforded for your directors to submit any additional suggestions that they may have to offer."

Approved.

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

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. A. G. Hancock, Winter Haven, Florida, to serve at the same time as director and officer of The American National Bank in Winter Haven, Winter Haven, as director and officer of American Bank of Lake Alfred, Lake Alfred, and as a director of Latin-American Bank of Ybor City, Tampa, all of Florida.

"Inasmuch as Mr. Hancock, at the time of executing his application for a Clayton Act permit, had not taken the oath of office as a director of the Latin-American Bank of Ybor City, it is requested that you inform him of the Board's action in granting him a Clayton Act permit but withhold delivery of the permit and copies until such time as you are definitely advised that he has duly qualified as a director.

"Please inform the Board concerning the disposition of this matter in order that its records may be complete."

Approved.

Letters to applicants for permits under the Clayton Act, advising

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of approval of their applications as follows:

Mr. F. C. Gardner, for permission to serve at the same time as a director of The Merchants National Bank and Trust Company of Fargo, Fargo, North Dakota, and as a director of the American Bank of Lake Alfred, Lake Alfred, Florida.

Mr. R. A. Liggett, for permission to serve at the same time as an employee of The First National Bank of Tampa, Tampa, Florida, as a director of the Latin-American Bank of Ybor City, Tampa, Florida, and as a director of The First National Bank of Bradenton, Bradenton, Florida.

Mr. Percival Manchester, for permission to serve at the same time as a director and officer of The American National Bank in Winter Haven, Winter Haven, Florida, as a director of the American Bank of Lake Alfred, Lake Alfred, Florida, and as a director of the Latin-American Bank of Ybor City, Tampa, Florida.

Mr. F. J. Norman, for permission to serve at the same time as an employee of The American National Bank in Winter Haven, Winter Haven, Florida, and as an officer of the American Bank of Lake Alfred, Lake Alfred, Florida.

Mr. V. H. Northcutt, for permission to serve at the same time as a director and officer of The First National Bank of Tampa, Tampa, Florida, and as a director of the Latin-American Bank of Ybor City, Tampa, Florida.

Mr. Norman A. Street, for permission to serve at the same time as a director and officer of The American National Bank in Winter Haven, Winter Haven, Florida, and as a director of the American Bank of Lake Alfred, Lake Alfred, Florida.

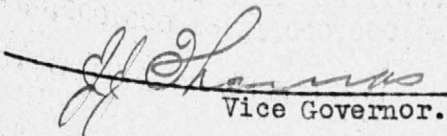
Approved.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Governor.