

U/12/34  
A meeting of the Federal Reserve Board was held in Washington on Friday, October 12, 1934, at 4:00 p. m.

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

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

The Board considered and acted upon the following matters:

Letter dated October 11, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated October 12, 1934, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the bank's existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated October 11, 1934, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Your letter October eighth. Board approves designation of ten employees of Los Angeles Branch as assistant examiners without change in compensation."

Approved.

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

"There is transmitted herewith for your consideration, an application of the 'Lincoln-Alliance Bank and Trust Company', Rochester, New York, a member bank, for permission to establish

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"and operate a branch at Newark, New York.

"At the present time the Lincoln-Alliance Bank and Trust Company is operating six branches, all of which are located within the city limits of Rochester, which has a population of 328,132 inhabitants.

"The village of Newark, with a population of 7,649, is located 31 miles east of Rochester and at the present time is without banking facilities although it formerly supported two banks, the First National Bank, which suspended business in 1931, at which time it had deposits of approximately \$2,500,000, and the Arcadia Trust Company, which suspended business in 1932 and had deposits of approximately \$2,200,000. The applicant proposes to take over the physical property of the Arcadia Trust Company at a cost of \$27,500, together with \$70,000 of loans, the type of which the subject bank would accept in the ordinary course of business.

"The New York State Banking Department has authorized the subject bank to establish a branch at Newark, New York and the Federal Reserve Agent at New York recommends that the application submitted herewith be approved.

"According to the information submitted, the condition of the bank is such as to warrant the establishment of the branch and in view of the circumstances and the recommendation of the Federal Reserve Agent, the Federal Reserve Board recommends that you approve the establishment and operation of a branch at Newark, New York, by the Lincoln-Alliance Bank and Trust Company, Rochester, New York, on condition that:

"1. Prior to the establishment of the branch at Newark, New York, the Lincoln-Alliance Bank and Trust Company, Rochester, New York, shall charge off or otherwise eliminate, if it has not already done so, all depreciation in stocks, defaulted bonds and securities other than those in the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities.

"The attached file includes a letter dated September 24, 1934, and enclosures from Mr. Case, Federal Reserve Agent at New York, report of examination by the State Banking Department as of March 9, 1934, and copy of a memorandum prepared by the Board's Division of Examinations. It will be appreciated if you will return this file when it has served your purpose and when you advise the Board of your action on the application."

Approved, Mr. James voting "no".

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

"In accordance with your recommendation, the Federal Reserve

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"Board approves a reduction in the common capital stock of 'The Otselic Valley National Bank of South Otselic', South Otselic, New York, from \$100,000 to \$60,000, pursuant to a plan which provides that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate all estimated losses and depreciation in securities in the lower grades, all as set forth in your memorandum of September 28, 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 Grafton', Grafton, West Virginia, from \$200,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$200,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used in eliminating a corresponding amount of unsatisfactory assets, all as set forth in your letter of September 29, 1934."

Approved.

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

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Farmers National Bank of Geneseo', Geneseo, Illinois, from \$50,000 to \$12,500, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$67,500 of preferred stock to the Reconstruction Finance Corporation and/or others, and that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate approximately \$58,250 of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of September 25, 1934."

Approved.

Memorandum dated October 5, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that in his memorandum of June 25,

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1934, recommending the revision of the weekly member bank condition report, which was approved by the Board on July 18, 1934, it was stated that it was not intended that the form in which the figures are published should be changed at that time; that now that the member banks have had time to become familiar with the revised form of report, it is believed that some of the additional data now being obtained should be made available to the public at an early date; and that it is, therefore, suggested that the form of the Board's published weekly condition statement of reporting member banks in leading cities be changed in the manner indicated on a copy of the last published statement, which was attached to the memorandum, effective as of the first Wednesday following the Board's approval of the proposed changes. The memorandum reviewed the proposed revisions, and stated that, if the Board approves the changes recommended, it is suggested that the following paragraph be included in the text accompanying the first weekly statement issued in the new form:

"The statement has been revised to show separately, and by Federal Reserve districts, loans to brokers and dealers in New York and outside New York, loans on securities to others, acceptances and commercial paper, loans on real estate, and obligations fully guaranteed both as to principal and interest by the United States Government. In view of the new classification of loans the memorandum items heretofore appearing at the bottom of the statement of condition of reporting member banks in New York City, relating to loans on securities to brokers and dealers, has been eliminated from that statement. The statement published last Thursday, which is reissued herewith in revised form, showed the total amount of brokers' loans made by New York City banks for their own account as \$603,000,000, of which (as shown in the revised statement) \$555,000,000 represented loans to brokers and dealers in New York City and \$48,000,000 to brokers and dealers outside of New York City. Of the \$136,000,000 loans to brokers and dealers made by weekly reporting member banks in New York City for the account of out-of-town banks (as shown in the statement issued last Thursday), \$131,000,000 was made for the

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"account of weekly reporting member banks outside New York City. The figures as published in this statement do not include loans to brokers and dealers by New York banks for account of non-reporting banks and for account of others. Figures for such loans, which at the present time amount to about \$6,000,000, will be published monthly in the Federal Reserve Bulletin." (The figures quoted in the above suggested paragraph are as of September 26. Current figures will be substituted, when the revised form of statement is first issued.)

The suggestions were approved by five members of the Board on October 11, 1934.

Approved.

Telegram to the governors of all Federal reserve banks, reading as follows:

"For the information of the Board, it will be appreciated if you will advise by wire what is the practice of your bank with respect to requiring reimbursement from an applicant for an industrial advance or commitment, pursuant to section 13b of Federal Reserve Act, for the expenses of investigation or examination or other costs in connection with consideration of the application (a) where the application is granted and the advance or commitment is made and (b) where the application is refused. In your reply please advise whether your practice differs, and if so how, as regards direct advances and commitments and advances and commitments to or in participation with financing institutions."

Approved.

Telegram dated October 11, 1934, approved by three members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In order to avoid confusion in referring to previous rulings interpreting Regulation T, the Board will, in the future, give a number to each ruling interpreting Regulation T which is of sufficient general interest to be sent to all Federal Reserve Agents and released by Board as a press statement. Rulings issued after this change of procedure will be numbered in order beginning with No. 16. Rulings heretofore issued have been numbered as follows: Trans. No. 2095 (Beginning after word "STOP" and eliminating final word "UNQUOTE") - Ruling No. 1 interpreting Regulation T; Trans.

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"No. 2097 - Ruling No. 2 interpreting Regulation T; Trans. No. 2100 - Ruling No. 3 interpreting Regulation T; Trans. No. 2103 - Ruling No. 4 interpreting Regulation T; Trans. No. 2105 - Ruling No. 5 interpreting Regulation T; Trans. No. 2107 - Ruling No. 6 interpreting Regulation T; Trans. No. 2108 - Ruling No. 7 interpreting Regulation T; Trans. No. 2109 - Ruling No. 8 interpreting Regulation T; Trans. No. 2110 - Ruling No. 9 interpreting Regulation T; Trans. No. 2111 - Ruling No. 10 interpreting Regulation T; Trans. No. 2112 - Ruling No. 11 interpreting Regulation T; Trans. No. 2114 - Ruling No. 12 interpreting Regulation T; Trans. No. 2115 - Ruling No. 13 interpreting Regulation T; Trans. No. 2116 - Ruling No. 14 interpreting Regulation T; Trans. No. 2117 - Ruling No. 15 interpreting Regulation T. In giving out copies of any of these fifteen rulings in the future, it is suggested that the appropriate number be inserted at the beginning of the ruling."

Approved.

Telegram dated October 11, 1934, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Ruling No. 16 interpreting Regulation T. In response to an inquiry as to whether in a cash account under section 6 of Regulation T credit may be extended on unregistered non-exempt securities as an incident to the purchase of such securities, the Board advised that section 6 of Regulation T does not authorize such extensions of credit and also pointed out that section 7(c)(2) of the Securities Exchange Act of 1934 expressly prohibits a creditor as defined in section 2(b) of Regulation T from extending or maintaining credit on such securities under the circumstances indicated."

Approved.

Telegram dated October 11, 1934, approved by three members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Ruling No. 17 interpreting Regulation T. In response to an inquiry, the Federal Reserve Board has ruled that, where a demand for margin has not been made by a letter or telegram sent to a customer at his last known address but has been delivered to the customer in person, the amount so demanded cannot be included in the computation of the adjusted debit balance of the

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"customer's account pursuant to the provisions of clause 8 of section 3(f) of Regulation T, unless such demand for margin has been confirmed by a letter or telegram which the creditor shall have sent to the customer at his last known address."

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks,  
reading as follows:

"Ruling No. 18 interpreting Regulation T. In response to an inquiry the Federal Reserve Board has advised that, if the adjusted debit balance of an account which has been designated as an 'old account' pursuant to section 7(a) of Regulation T, is reduced by reason of a sale of securities or otherwise, the creditor may not thereafter permit the customer to make any transaction which would result in an increase in the adjusted debit balance except a withdrawal of money made in conformity with the third proviso of section 7(a) of Regulation T. In this connection the Board called attention to the fact that a transaction which would result in an increase in the adjusted debit balance if standing alone is not prohibited by section 7(a) if it is part of a 'combination of transactions' which results in no increase in the adjusted debit balance."

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks,  
reading as follows:

"Ruling No. 19 interpreting Regulation T. The Federal Reserve Board has been asked whether under section 4(e) of Regulation T, in the case of a purchase of securities on a Monday, the three-day period allowed for obtaining margin expires at midnight Wednesday or at midnight Thursday, if the days specified and all the intervening days are full business days. In reply the Board advised that the three-day period specified means three full business days following the date of the transaction and that, in the case indicated, the three-day period allowed by section 4(e) would not expire until midnight on Thursday."

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks,  
reading as follows:

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"Referring Regulation T. The Secretary of the Treasury has advised the Federal Reserve Board that he has designated for exemption under the provisions of paragraph 12 of section 3(a) of the Securities Exchange Act of 1934, individual and consolidated Farm Loan bonds issued by Federal land banks and debentures issued by Federal intermediate credit banks under the authority of the Federal Farm Loan Act, approved July 17, 1916, as amended."

Approved.

Telegram dated October 11, 1934, approved by five members of the Board, to Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago, reading as follows:

"Referring your October 8 wire and Mr. Smead's telephone conversation with you and Mr. Dillard on October 4, Board concurs in action taken in reversing entries made on September 27 for purpose of setting up additional reserve for depreciation on U. S. Government securities."

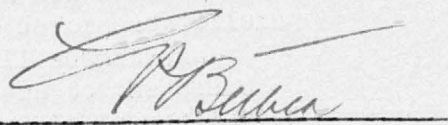
Approved.

There was then presented the following application for a change in stock of a Federal reserve bank:

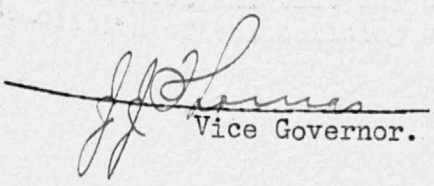
<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 8</u>		
The Mount Olive National Bank,	36	36
Mount Olive, Illinois		

Approved.

Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved:

  
Vice Governor.