

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, October 17, 1934, at 3:30 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegrams dated October 17, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, both advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memoranda dated October 15, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that the temporary employment of Miss Elizabeth B. Griffin and Miss Anna F. Scott, as stenographers in the division, be extended for another period of thirty days from October 20 to November 18, 1934, inclusive, with compensation at the rate at which they were previously employed.

Approved.

Memorandum dated October 9, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated October 2 from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of changes in the personnel classification plan

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of the bank to provide for the discontinuance of the positions of "stenographer-clerk" and "stenographer to assistant cashier" in the fiscal agency department. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by five members of the Board on October 16, 1934.

Approved.

Memorandum dated October 15, 1934, from Mr. Wingfield, Assistant Counsel, recommending that, for the reasons stated therein, no action be taken by the Board with regard to reporting to the Attorney General a possible violation of the provisions of Section 22(g) of the Federal Reserve Act by Mr. Roy S. Buck, Vice President of the Big Rapids Savings Bank, Big Rapids, Michigan.

Approved.

Letter dated October 16, 1934, approved by five members of the Board, to Mr. James C. Baker, Vice President and Cashier of "The First National Bank of Chester", Chester, Pennsylvania, reading as follows:

"This refers to the resolution adopted on February 21, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has never exercised its right to act in trust capacities. The Board, therefore, has issued a formal certificate to The First National Bank, Chester, Pennsylvania, certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve

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"Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letter dated October 16, 1934, approved by five members of the Board, to the "First National Bank of Cicero", Cicero, Illinois, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority 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 dated October 16, 1934, approved by five 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 Camden", Camden, South Carolina, from \$75,000 to \$60,000, pursuant to a plan which provides that the bank's capital shall be increased by \$15,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate unsatisfactory assets and/or augment the bank's surplus and undivided profits accounts, all as set forth in your letter of September 27, 1934."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve

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Bank of New York, stating that the Board has given consideration to the application of the "First National of Elmira Corporation", Elmira, New York, 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 Bank of Elmira Heights", Elmira Heights, New York, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to December 31, 1934, to act upon a proposal or proposals to place The Bank of Elmira Heights, Elmira Heights, New York, in voluntary liquidation, and to authorize the sale of its acceptable assets to 'First National Bank & Trust Company of Elmira', Elmira, New York, under a plan which provides for the assumption of the deposit liabilities of The Bank of Elmira Heights by said national bank and the establishment of a branch by said national bank at Elmira Heights, New York, all in accordance with the conditions prescribed by the Comptroller of the Currency in his letter of August 13, 1934, addressed to the Board of Directors of First National Bank & Trust Company of Elmira."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the First National of Elmira Corporation, a limited voting permit in accordance with the telegram.

Approved.

Telegram dated October 16, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks except New York and Chicago, reading as follows:

"Board believes that in so far as possible only official print of Regulation T should be distributed in future. Five hundred copies of official print going forward to you today. If you will need additional copies to meet reasonable demand, please advise immediately number required. There is being forwarded with confirmation of this telegram copy of official print and also copy of your print on which have been indicated differ-

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"ences between your print and official print. In opinion of Board there should be addressed to persons who, according to your records, have received copies of your print, a letter showing all differences, other than differences in capitalization and similar matters of form, which exist between your print and official print."

Approved, together with similar telegrams, also dated October 16, 1934, and approved by five members of the Board, to Messrs. Case and Stevens, Federal Reserve Agents at the Federal Reserve Banks of New York and Chicago, advising respectively that two thousand copies of the official print of Regulation T were being forwarded to the New York bank and one thousand copies to the Chicago bank.

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

"Ruling No. 26 interpreting Regulation T. The Federal Reserve Board has been asked for a ruling on the following facts: A customer requests a broker to purchase for the customer's account certain registered securities to be paid for by the customer in cash. The customer has a bona fide intention to pay in cash; but, when delivery day arrives, he finds that he has not sufficient cash to pay for the securities in full and desires to pay fifty percent and have the broker carry the securities in his margin account until the customer is ready to make payment in full. The question is presented whether the broker may transfer such transaction from the customer's cash account to his margin account. In reply the Board advised that the transfer of such a transaction from a cash account to a margin account is expressly permitted in exceptional cases by section 6 of Regulation T, if authorization is obtained from the business conduct committee or other suitable committee of the appropriate national securities exchange."

Approved.

Telegram dated October 16, 1934, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Referring Gettemy's letter of October 10, Board considers

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"execution of agreement on F. R. B. Form T-1 or T-2 to have been made in accordance with prescribed form of resolution of authorization if agreement is signed by one of the two officers named in resolution and attested by the other."

Approved.

Letter dated October 16, 1934, approved by five members of the Board, to Mr. H. S. Yohe, In Charge, Administration U. S. Warehouse Act, Department of Agriculture, Washington, D. C., reading as follows:

"This refers to your letters of July 23, September 8 and September 13, 1934, addressed to the Board's General Counsel, with regard to the eligibility of certain warehouse receipts issued by warehouses operating in the State of South Carolina as security for bankers' acceptances under the requirements of the Federal Reserve Board as prescribed in its Regulation A.

"The Federal Reserve Board has communicated with the Federal Reserve Bank of Richmond with regard to this matter and is advised that questions have been asked of the Federal Reserve Bank from time to time as to whether the bank would accept as satisfactory collateral (presumably to a customer's note offered for rediscount by a member bank) warehouse receipts, whether or not the cotton represented by such receipt was owned by a person owning a portion or all of the stock of the warehouse corporation, but the Federal Reserve Bank has consistently declined to issue any statement in answer to such hypothetical questions and has replied to the effect that if such a note should be offered for rediscount, the bank would of course decide under the circumstances of the particular case whether such warehouse receipts would be accepted as satisfactory collateral. It appears also that the Federal Reserve Bank of Richmond has not been asked to give an opinion as to whether warehouse receipts issued by a particular warehouse covering cotton owned by someone having a stock ownership in the warehouse corporation might properly be used as security for bankers' acceptances under the Board's Regulation A, and that the Federal Reserve Bank has not expressed an opinion as to whether warehouse receipts issued by a warehouse operated under the laws of South Carolina would or would not be eligible as security for bankers' acceptances under the provisions of that regulation. The Federal Reserve Bank also advises that if a member bank should offer to it paper secured by warehouse receipts involving a question as to the ownership of the warehouse, the reserve bank would investigate the particular case and decide it on its merits.

"In view of the information which has been obtained from the Federal Reserve Bank of Richmond in this connection, it would seem that the statements which have been made to you in

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"this connection with regard to the position of the Federal Reserve Bank of Richmond as to the eligibility of warehouse receipts issued by warehouse companies in South Carolina as security for bankers' acceptances are based upon a mistake or misunderstanding as to the facts. It would appear, therefore, that any decision which may have been reached by warehouse companies to cooperate under the warehousing laws of the State of South Carolina rather than under Federal license is not the result of any assurances given by the Federal Reserve Bank of Richmond as to the eligibility of warehouse receipts issued by such companies as security for bankers' acceptances under the provisions of the Federal Reserve Board's Regulation A or as to their acceptability as collateral for notes offered for rediscount."

Approved.

Letter to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Dallas made as at the close of business June 23, 1934, copies of which were left with you and Governor McKinney.

"It has been noted (page 80) that charges assessed by the Reserve Bank against State member banks for examinations include charges for salaries of examiners computed on the basis of 261 working days per year. In its letter of August 1, 1923, X-3797, the provisions of which have not been amended, the Board stated that it considered a 300 day basis as the proper basis for computing salary charges in connection with assessing the costs of examinations of State member banks. It will be appreciated if you will advise the Board of the reasons prompting the use of a 261 day basis for computing such salary charges.

"On page 85 the examiner reports that in a number of instances subscriptions to government issues made directly to the Reserve Bank by banks for themselves and/or customers were paid for through the War Loan accounts of other banks. It was reported, also, that subscriptions of several dealers had been paid for through the War Loan accounts of depository banks. The examiner states that while the Reserve Bank is not adhering strictly in this respect to the instructions contained in Treasury Department Circular No. 92, the management believes that a service is being rendered to banks and subscribers and prefers to continue the present practice unless instructions to the contrary are issued by the Treasury Department. The Board feels that a reserve bank, in acting as fiscal agent for the Treasury Department, should follow strictly the instructions

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"of the Treasury Department unless specific authorization has been received from the Treasury Department for any departure from the general instructions. It will be appreciated, therefore, if you will submit this question to the Treasury Department and if you will advise the Board as to the Treasury's ruling in the matter."

Approved.

Letter dated October 16, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of October 3, 1934, and the inclosed application of Mr. Paul J. Kalman under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as director of the First National Bank of St. Paul, St. Paul, Minnesota, and as resident partner at the St. Paul office of Harris Upham & Company, New York, New York.

"As you state in your letter, it appears that Harris Upham & Company makes loans secured by stock or bond collateral in considerable volume and that, therefore, the relationship covered by the application is prohibited by section 8A of the Clayton Act. In view of the fact that it does not appear that Harris Upham & Company is a banking organization of the kind referred to in section 8 of the Clayton Act, it appears that the Board has no authority under that Act to grant a permit covering that relationship. See Federal Reserve Bulletin for April 1934, page 244.

"In view of the fact that the relationship is prohibited by the Clayton Act, and in view of the fact that a permit issued under the provisions of section 32 of the Banking Act of 1933 would not render lawful a relationship prohibited by the Clayton Act (see Federal Reserve Bulletin for February 1934, page 123), it is unnecessary to give consideration to the applicability of section 32 to the relationship in question, although the information which has been submitted is not sufficiently complete to show that the provisions of that section are applicable. In this connection, see Federal Reserve Bulletin for June 1934, pages 393-394.

"It will therefore be appreciated if you will advise Mr. Kalman that it appears that his service as director of the First National Bank of St. Paul and as partner of Harris Upham & Company is prohibited by section 8A of the Clayton Act and request him to advise you of the steps which he takes to comply with the provisions of that Act."

Approved.

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Letter dated October 15, 1934, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. J. S. Day, c/o The Richland National Bank, Sidney, Montana, to serve at the same time as director and officer of The Richland National Bank of Sidney, Sidney, Montana, and as director of The Tanners National Bank of Catskill, Catskill, New York, for transmittal by you to Mr. Day and the two banks and a copy for your files. A copy of the permit and a copy of this letter are being transmitted to Federal Reserve Agent Case at the Federal Reserve Bank of New York for his files.

"In the consideration of the application of Mr. Day, it was noted that while his attendance at directors' meetings of the Montana bank has been satisfactory, he has attended no meetings held by the directors of The Tanners National Bank of Catskill, Catskill, New York, during the past two years. In view of the applicant's age and the distance separating the two banks, it appears that the applicant's attendance in the future at the directors' meetings of The Tanners National Bank of Catskill will not show an improvement over his record for the past two years. Although the Board feels that a director should have a satisfactory record of discharging his duties and responsibilities by participating in the management and operations of a bank which he is serving through attendance at directors' meetings, it has granted the permit in this case in view of the satisfactory condition and management of both institutions, the fact that The Tanners National Bank of Catskill was organized in 1831 by the applicant's forbears, that members of his family have served the bank continuously for a period of ninety-nine years and that, as stated by Assistant Federal Reserve Agent Dillistin in his report covering this application, 'The present strong condition of the Tanners National Bank and the character of its management is testimonial to the quality of the guidance and influence of this family of bankers for over a century.'"

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3</u>		
The Union National Bank of Shenandoah, Shenandoah, Pennsylvania	156	156

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Applications for ORIGINAL Stock: (Continued)

Shares

District No. 4

The National Bank of Lorain,
Lorain, Ohio

144 144

District No. 5

National Bank of Commerce of Gastonia,
Gastonia, North Carolina

144 144

District No. 11

The Stockmens National Bank in Cotulla,
Cotulla, Texas

33 33

Total 477

Applications for SURRENDER of Stock:

District No. 7

The First National Bank of Dale,
Dale, Wisconsin

27 27

District No. 9

The First National Bank of Calumet,
Calumet, Michigan

270 270

District No. 12

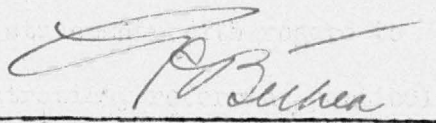
The First National Bank of Cucamonga,
Cucamonga, California

30 30

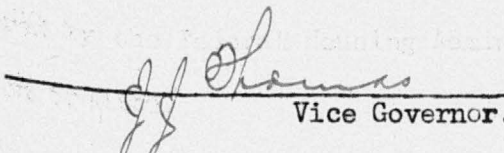
Total 327

Approved.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Vice Governor.