

A meeting of the Federal Reserve Board was held in Washington on Tuesday, October 23, 1934, at 3:00 p. m.

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

Mr. Morrill, Secretary  
Mr. Goldenweiser, Director of the Division  
of Research and Statistics

Vice Governor Thomas brought to the attention of the other members of the Board a circular without date signed by David L. Babson, Vice President of Babson's Reports, Incorporated, of Babson Park, Massachusetts, headed "Notice to Bank Depositors" which Mr. Thomas had received in the mail this morning. Mr. Thomas said that Governor Young of the Federal Reserve Bank of Boston had called him on the long distance telephone before Mr. Thomas had seen the notice, and that Governor Young seemed to be somewhat disturbed about the circular and thought that some consideration should be given to it by the Board. In this connection, Mr. Thomas said that he understood that Governor Young would be in Washington tomorrow and it was agreed that further discussion of the circular should be deferred until Governor Young's visit for the purpose of ascertaining what Governor Young had in mind as to the action, if any, that the Board might take regarding it.

(SECRETARY'S NOTE: The circular referred to is in the files of the Federal Reserve Board.)

At this point Mr. Goldenweiser left the meeting.

Reference was made to the discussion during the executive session of the Board on yesterday of the retention on the Board's payrolls

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of Mr. H. Warner Martin, Assistant to the Governor, and Miss Gladys I. Welch, Secretary to Mr. Martin.

After discussion, the assignment of Mr. Martin to duty at Atlanta, Georgia, to assist Governor Black in his work in a liaison capacity between the Administration and the banks of the country (as described in Governor Black's statement recorded in the minutes of June 25, 1934, and in the President's letter of August 15, 1934, to Governor Black recorded in the minutes of that date) was approved, together with the assignment of Miss Welch to duty at Atlanta as Secretary to Mr. Martin, and it was decided that they should be continued on the payrolls of the Board, for the time being until its further order, without change of designation or rate of compensation. The Board's Secretary was authorized to inform Governor Black and Mr. Martin accordingly.

The Board then considered and acted upon the following matters:

Memorandum dated October 18, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the extension for a period of three months from October 26, 1934, of the temporary employment of Miss Lois A. Crim as a stenographer in the division, with salary at her present rate of \$1,440 per annum.

Approved.

Memorandum dated October 19, 1934, from Mr. Smead, Chief of the Division of Bank Operations, submitting and recommending the acceptance of the resignation of Mrs. Libbie L. Hitt as a stenographer in the division, effective as of the close of business on October 18, 1934.

Approved.

Letter dated October 22, 1934, approved by five members of

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the Board, to Governor Harrison of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of October 10, 1934 advising of the arrangement approved by your directors under which Mr. John H. Williams, economist of your bank, will conduct courses in economics at the Harvard Graduate School during the first semester of the academic year, and will give at least two days a week of his time to the Federal Reserve Bank of New York; his salary, during his part time employment, beginning October 1, 1934 to be one-third of his regular salary at your bank, or at the rate of \$7,333.33 per annum.

"The Federal Reserve Board approves the adjustment of Mr. Williams' salary in accordance with the action taken by your directors."

Approved.

Memorandum dated October 20, 1934, from Mr. Smead, Chief of the Division of Bank Operations, submitting a draft of a letter to the Federal reserve agents at all Federal reserve banks transmitting the blank forms to be used by State member banks and their affiliates in rendering reports as of the next call date, and stating that all changes in the form of the report have been approved by the Board, and that the Comptroller of the Currency has made similar changes in the report form to be used by national banks. The draft of letter was approved by three members of the Board on October 22, 1934.

Approved.

Telegram dated October 22, 1934, approved by five members of the Board, to Mr. Rounds, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

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"Retel October 18. Board understands applications have been presented wherein two or more commercial banks desire to participate in providing working capital for industrial or commercial business, each bank to obligate itself to satisfaction of Federal reserve bank for its pro rata part of at least 20 per centum of any loss which may be sustained by such Federal reserve bank upon obligations of industrial or commercial business acquired from such commercial banks. For example, in case of equal participation by banks A and B, it is understood that industrial or commercial business will make single application but will execute two separate notes, each equal in amount to one-half of total extension of credit and payable to banks A and B, respectively, and that Federal reserve bank will discount or purchase one of such notes from bank A and other from bank B, each commercial bank obligating itself for at least 20 per centum of loss which may be sustained by Federal reserve bank upon obligation acquired from such commercial bank. In such circumstances Board agrees with views of your counsel that Federal reserve bank may lawfully discount or purchase obligations if other requirements of law are satisfied."

Approved.

Telegram dated October 22, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Ruling No. 30 interpreting Regulation T. The Federal Reserve Board has been asked whether under Regulation T, a broker may permit a customer to withdraw cash dividends or interest received by the broker on securities carried for the customer in a restricted new account. In reply the Board advises that for the purposes of Regulation T such withdrawal of interest or dividends is to be considered as not different from any other withdrawal of cash and therefore may not be permitted in such account except in compliance with the provisions of section 4(d) of the Regulation."

Approved.

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

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"Ruling No. 31 interpreting Regulation T. The Federal Reserve Board has been asked whether a certain individual's proportionate share of the excess loan value in a joint account carried for such individual and certain other persons jointly may be combined with the individual's personal account carried simultaneously with the same broker in order that such personal account may be considered as an unrestricted rather than a restricted account under Regulation T. In reply the Board points out that the individual in question is a 'customer' within the meaning of the definition in section 2(m) of the regulation and that the parties to the joint account as a group constitute a separate and distinct 'customer' within the meaning of such definition and accordingly advised that the individual's personal account may not be considered an unrestricted account because of the presence of excess loan value in the joint account unless the parties to the joint account acting jointly have, in writing, guaranteed the individual's personal account for an amount sufficient to make it an unrestricted account."

Approved.

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

"Ruling No. 32 interpreting Regulation T. The Federal Reserve Board has been asked whether, if a confirmation of a transaction has been sent by mail to a customer at his last known address, a demand for margin which appeared not on a separate piece of paper but on the confirmation itself may be considered as having been made in the manner specified in clause 8 of section 3(f) of Regulation T so that the amount of margin demanded may be deducted in computing the adjusted debit balance of the customer's account. In reply the Board advises that such a demand may be considered as a demand made in a 'letter' within the meaning of clause 8 and that accordingly the question should be answered in the affirmative."

Approved.

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

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"Referring to your letter of October 17 and question submitted by the Chicago Stock Exchange in letter to you dated October 16. Ruling No. 11 interpreting Regulation T does not enlarge meaning of term 'net withdrawal' as defined in Regulation T so as to make it necessary in ascertaining existence of 'net withdrawal' to include market value of unregistered non-exempted securities withdrawn from a restricted new account. Ruling No. 11 dealt with old accounts and in particular with third proviso of section 7(a) of regulation which specifies conditions under which creditor may permit customer to withdraw money and/or securities and does not mention or involve 'net withdrawal' as defined in the regulation."

Approved.

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

"Reference is made to your letter of October 5, 1934, concerning the Clayton Act application of Mr. Howard Bruce, Baltimore, Maryland, for permission to serve as director and officer of the Baltimore National Bank, as director of The Equitable Trust Company, and as director of the Safe Deposit and Trust Company of Baltimore, all of Baltimore, Maryland.

"The Board has reconsidered Mr. Bruce's application and upon the basis of the information before it, including that submitted by the applicant in his letter dated October 4, 1934, and the letter dated October 3, 1934, submitted in his behalf by Mr. Jacob France, still feels that the granting of the permit with respect to the Baltimore National Bank and The Equitable Trust Company would be incompatible with the public interest for the reasons set forth in the Board's letter to you, dated August 2, 1934. You are requested to advise the applicant accordingly.

"Please ascertain and advise the Board what further steps Mr. Bruce proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

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

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"Reference is made to Assistant Federal Reserve Agent Young's letter of October 2, 1934, with which were transmitted copies of letters from Mr. George L. Bailey, president of The Home State Bank, Royal, Iowa, to Governor Schaller, dated September 29, 1934, and from Mr. E. C. Bertram, Peterson, Iowa, to Mr. Young, dated September 27, 1934, in connection with the application of Mr. E. C. Bertram for permission under the provisions of the Clayton Act to serve at the same time as director and officer of The First National Bank of Peterson, Peterson, Iowa, and as director of The Home State Bank, Royal, Iowa.

"In the Board's letter of July 21, 1934, you were informed that, in its opinion, the issuance of a permit to the applicant to serve these banks would be incompatible with the public interest in view of the several unsatisfactory factors set forth in your report on this case and requested to advise Mr. Bertram that, in accordance with Section V (g) of Regulation L, consideration would be given to any additional facts or arguments not appearing in his application and accompanying forms which he felt should be brought to the Board's attention. The Board has given consideration to the additional facts and arguments submitted with Mr. Young's letter of October 2, 1934, and still concurs in the opinion of your office that the granting of the permit applied for would be incompatible with the public interest. Please advise the applicant of the Board's position in the matter.

"It has been noted that Mr. Bertram has tendered his resignation as a director of The Home State Bank and it will be appreciated if you will advise the Board when his resignation has been accepted in order that its file in this case may be closed."

Approved.

Letters dated October 22, 1934, approved by five members of the Board, to the respective Federal reserve agents, inclosing the following Clayton Act permits; suggesting in each case that the agent inform the applicant that it is with the expectation that he will satisfactorily attend directors' meetings that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings and as to the manner in which he has discharged his duties as a director:

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Mr. F. L. Carson, for permission to serve at the same time as a director and officer of the First National Bank in Wichita, Wichita, Kansas, and as a director and officer of The First National Bank of Spearman, Spearman, Texas.

Mr. C. J. Chandler, for permission to serve at the same time as a director and officer of the First National Bank in Wichita, Wichita, Kansas, as a director of The First National Bank of Holly, Holly, Colorado, and as a director and officer of The Chandler National Bank of Lyons, Lyons, Kansas.

Mr. W. W. Chandler, for permission to serve at the same time as a director and officer of The First National Bank of Holly, Holly, Colorado, as a director and officer of The Chandler National Bank of Lyons, Lyons, Kansas, and as a director of The First National Bank of Elkhart, Elkhart, Kansas.

Mr. A. L. Wood, for permission to serve at the same time as a director and officer of the First National Bank in Wichita, Wichita, Kansas, as a director and officer of The First National Bank of Elkhart, Elkhart, Kansas, and as a director and officer of The Perryton National Bank, Perryton, Texas.

Mr. James W. Berryman, for permission to serve at the same time as a director of The Stockgrowers State Bank, Ashland, Kansas, and as an officer of The First National Bank of Spearman, Spearman, Texas.

Approved.

Letters dated October 22, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. J. W. Berryman, for permission to serve at the same time as a director and officer of The Stockgrowers State Bank, Ashland, Kansas, as a director and officer of the First National Bank in Wichita, Wichita, Kansas, and as a director of The Merchants National Bank of Topeka, Topeka, Kansas.

Mr. C. Q. Chandler, for permission to serve at the same time as a director and officer of the First National Bank in Wichita, Wichita, Kansas, and as a director and officer of The Chandler National Bank of Lyons, Lyons, Kansas.

Mr. E. W. Evans, for permission to serve at the same time as a director of the First National Bank in Wichita, Wichita, Kansas, and as a director of The Chandler National Bank of Lyons, Lyons, Kansas.



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Mr. John T. Stewart, for permission to serve at the same time as a director and officer of The First National Bank of Medford, Medford, Oklahoma, as a director and officer of the Caldwell State Bank, Caldwell, Kansas, and as a director of the First National Bank in Wichita, Wichita, Kansas.

Mr. L. B. Campbell, for permission to serve at the same time as a director and officer of The First National Bank of Spearman, Spearman, Texas, and as a director of The Perryton National Bank, Perryton, Texas.

Approved.

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

Mr. Denton Gehr, for permission to serve at the same time as a director and officer of The First National Bank of Westminster, Westminster, Maryland, and as a director of The Carroll County Savings Bank, Uniontown, Maryland.

Mr. Jacob J. Weaver, Jr., for permission to serve at the same time as a director of The First National Bank of Westminster, Westminster, Maryland, and as a director and officer of The Carroll County Savings Bank, Uniontown, Maryland.

Mr. D. Eugene Walsh, for permission to serve at the same time as a director of The First National Bank of Westminster, Westminster, Maryland, and as a director of the Manchester Bank, Manchester, Maryland.

Approved.

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

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
First National Bank in Fort Lee, Fort Lee, New Jersey	72	72
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Somerville Trust Company, Somerville, Massachusetts	135	135

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 2.</u>		
Union Trust Company of Endicott, Endicott, New York		30
Garden City Bank and Trust Company, Garden City, New York		45
The Bank of Hammondsport, Hammondsport, New York		6
The Citizens Bank of Locke, Locke, New York		1
Nassau County Trust Company, Mineola, New York		90
Lincoln-Alliance Bank and Trust Company, Rochester, New York		300
Bank of Westbury Trust Company, Westbury, New York		<u>50</u>
		522
<u>District No. 8.</u>		
W. B. Worthen Company, Little Rock, Arkansas		105
Lincoln Bank and Trust Company, Louisville, Kentucky		150
Effingham State Bank, Effingham, Illinois		3
State Bank of Hoiles & Sons, Greenville, Illinois		21
Peoples Bank of Indianola, Indianola, Mississippi		1
Mechanics Bank & Trust Co., Moberly, Missouri		1
Normandy State Bank, Normandy, Missouri		4
The Baden Bank, St. Louis, Missouri		30
Bremen Bank and Trust Co., St. Louis, Missouri		90
Easton-Taylor Trust Company, St. Louis, Missouri		24
Jefferson Bank & Trust Company, St. Louis, Missouri		15
Jefferson-Gravois Bank of St. Louis, St. Louis, Missouri		120
Lindell Trust Company, St. Louis, Missouri		60
Mississippi Valley Trust Company, St. Louis, Missouri		120
Round City Trust Company, St. Louis, Missouri		60
Tower Grove Bank and Trust Company, St. Louis, Missouri		180
Franklin County Bank, Washington, Missouri		<u>9</u>
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Applications for ADDITIONAL Stock: (Continued)

	<u>Shares</u>	
<u>District No. 9.</u>		
The First National Bank of Grand Rapids, Grand Rapids, Minnesota	15	
The Yellowstone Bank of Laurel, Laurel, Montana	3	18
	<u>Total</u>	<u>1,668</u>

Applications for SURRENDER of Stock:

<u>District No. 3.</u>		
The Strausstown National Bank, Strausstown, Pennsylvania	30	30
<u>District No. 7.</u>		
Lansing National Bank, Lansing, Michigan	30	30
	<u>Total</u>	<u>60</u>

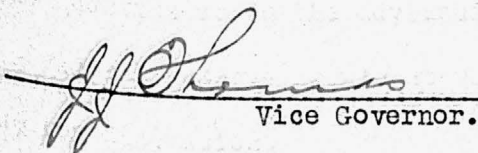
Approved.

Thereupon the meeting adjourned.



Secretary.

Approved:



Vice Governor.