

A meeting of the Federal Reserve Board was held in Washington on Monday, October 29, 1934, at 3:30 p. m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary

The Board considered and acted upon the following matters:

Memorandum dated October 26, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment of Miss Sybil E. Hainer as a stenographer in the division, with salary at the rate of \$1,620 per annum, effective November 1, 1934, subject to her passing a satisfactory physical examination.

Approved.

Memorandum dated October 25, 1934, from Mr. Morrill, Secretary, stating that, in connection with the adoption by the Federal Reserve Board of the Retirement System of the Federal reserve banks, the Board took the position that new employees should pass a physical examination which would meet the requirements for ordinary life insurance at the normal rate; that it is expected that the Retirement Committee or the Board of Trustees of the Retirement System will make recommendations to the Board and the Federal reserve banks with regard to a uniform standard of physical examination and forms to be used in connection therewith, but that in order that a form may be available in the meantime on which the record of examinations

10/29/34

-2-

made for the Board may be kept, the draft of form attached to the memorandum is submitted with the recommendation that it be approved and mimeographed for use pending consideration of the recommendations above referred to. The memorandum also stated that the form had been approved by the Board's examining physician and by Messrs. Smead and Van Fossen of the Division of Bank Operations.

Approved.

Memorandum dated October 16, 1934, from Mr. Wyatt, General Counsel, recommending that the Board authorize the purchase of the following law books, at the prices indicated below, for the use of the legal division:

U. S. Reports (official), volumes 1 to 289	\$350	
Lawyers Reports Annotated, New Series, 52 volumes	150	
Lawyers Reports Annotated, Third Unit, 24 volumes	80	
Lawyers Reports Annotated, Index to Notes, 1 volume	6	(less 6% discount)
Lawyers Reports Annotated, Digest, 10 volumes	85	(less 6% discount)
American Law Reports, with Digest, 91 volumes	375	
Ruling Case Law, with Supplement and Index	225	
Fletcher on Corporations (new permanent edition)	150	(less 6% discount)

The recommendation was approved by five members of the Board on October 27, 1934.

Approved.

Memorandum dated October 22, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated October 16, 1934, from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classification plan of the bank to provide for the new

10/29/34

-3-

position of "typist-clerk" in the fiscal agency department. The memorandum stated that the Committee had reviewed the proposed change and recommended that it be approved. The recommendation was approved by five members of the Board on October 27, 1934.

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, with regard to the steps which should be taken to correct the matters commented on in the report of examination of the "Crawford County Trust Company", Meadville, Pennsylvania, as of July 30, 1934.

Approved.

Letter dated October 26, 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 Cartersville', Cartersville, Georgia, from \$200,000 to \$150,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate unsatisfactory assets, all as set forth in your letter of October 12, 1934."

Approved.

Telegram dated October 27, 1934, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Ruling No. 33 interpreting Regulation T. In reply to

10/29/34

-4-

"certain inquiries as to whether cash or securities may be withdrawn from designated old accounts on and after November 15, 1934, the Federal Reserve Board points out that the third proviso of section 7(a) of Regulation T is by its terms applicable only to withdrawals made prior to that date. Accordingly the Board rules that: (1) On and after November 15, 1934, securities may be withdrawn from a designated old account to any extent not forbidden by section 4 of the regulation; and (2) On and after November 15, 1934, cash may not be withdrawn from a designated old account, whether restricted or unrestricted, if such withdrawal results in an increase in the adjusted debit balance of the account in violation of the second proviso of section 7(a) of the regulation or is forbidden by section 4 of the regulation."

Approved.

Telegram dated October 27, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Referring your letter of October 19, 1934, which inquires as to correctness of your conclusion that Joint Stock Land Bank Bonds are not 'exempted securities' within meaning of Securities Exchange Act of 1934 and Board's Regulation T thereunder. Board knows of no reason for differing with your conclusion on question, and suggests that persons inquiring whether securities have been designated for exemption by the Secretary of the Treasury or the Securities and Exchange Commission be referred to those authorities, unless you have definite information regarding the security in question."

Approved.

Telegram dated October 26, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In order to carry out intention of Trans. 2132 it is suggested that in letter indicating differences between your print of Regulation T and official print you specify not only the three changes which you mention in your telegram of October 22, but also the following: Section 2(d) comma after the parenthesis in last line of your print should be deleted; section 2(h) words 'of this regulation' should be deleted from end of

10/29/34

-5-

"first sentence of your print; section 3(c) comma after 'count' in sixth line of your print should be deleted; section 3(e) comma should be inserted after 'to' in last line of your print; section 3(f) the subdivisions of clause 8 of section 3(f) which are designated in your print as (1) and (2) should be designated as (a) and (b) respectively; section 3(g) comma should be inserted after 'day' in last line on page 3 of your print; section 4(a) comma should be inserted after 'indirectly' in fourth line of your print; section 4(e) comma should be deleted after 'Sundays' in fifth line of your print and comma should be deleted after 'account' sixth line from bottom of page 4 of your print; section 6 word 'and' should be deleted at end of next to last line of page 5 of your print; section 8(f) word 'a' should be deleted before 'part' in second line of your print. Stop. Designation of these additional changes may cause some inconvenience and is perhaps not necessary, but in view of criminal penalties for violation of regulation it is believed important that every reasonable effort should be made to see that form of regulation upon which public is relying does not differ in punctuation or matters of substance from form in which regulation was adopted by Board."

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. W. J. Chenoweth, Secretary to Congressman Colgate W. Darden, Jr., Washington, D. C., reading as follows:

"This refers to your letter of October 17, 1934, in which you inquire whether or not there are provisions in any of the recent laws relating to loans to small industries that would permit a loan to an industry for the purpose of erecting a new building. It is assumed that you have reference to the Act of June 19, 1934, relating to direct loans for industrial purposes by Federal reserve banks, and for other purposes.

"For your information, a copy of the Act of June 19, 1934, is inclosed herewith, together with a copy of the Board's regulations issued pursuant thereto. You will note that the first section of that Act amends the Federal Reserve Act by adding a new section, namely, section 13b, and that under section 13b Federal reserve banks are authorized to make a portion of their resources available for the purpose of providing established industrial and commercial businesses with 'working capital'. However, a building represents a permanent or fixed investment, and a loan used in erecting a building would be one used for a capital purpose and would not represent 'working capital'. Since Congress has required that loans under section 13b shall

10/29/34

-6-

"be for the purpose of furnishing 'working capital' and since a loan for construction purposes would not meet this requirement, a Federal reserve bank may not lawfully make an advance to an established industrial or commercial business which would be used for the purpose of erecting a building.

"Section 5 of the Act of June 19, 1934, also authorizes the Reconstruction Finance Corporation to make loans to any industrial or commercial business under the circumstances stated therein. There is inclosed Circular No. 13 of the Reconstruction Finance Corporation, and your attention is particularly invited to the next to the last paragraph on page 2 of the circular, in regard to loans to be used for construction, improvement, and repair."

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. James E. Goodrich, Vice-President and General Counsel of the Commerce Trust Company, Kansas City, Missouri, reading as follows:

"Receipt is acknowledged of your letter of October 17, 1934, in which you state that the Keystone Corporation was duly dissolved by decree of the Circuit Court of Jackson County, Missouri, on October 8, 1934, and that the trust agreement under which the stock of that corporation was held for the benefit of the stockholders of the Commerce Trust Company, Kansas City, Missouri, was terminated on the same date.

"From the information which you have submitted it appears that the requirements of section 9 of the Federal Reserve Act which were referred to in the Board's telegram of June 15, 1934, to the Federal Reserve Agent at the Federal Reserve Bank of Kansas City in regard to this matter have been satisfied."

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Board has given consideration to the application of Mr. Eugene F. Kinhead, New York, New York, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of the Colonial Trust Company, New York,

10/29/34

-7-

"New York, as director of Hudson County National Bank, Jersey City, New Jersey, and as director of the South Orange Trust Company, South Orange, New Jersey, and upon the basis of the information before it feels that the issuance of the permit applied for would be incompatible with the public interest. For the same reason that the Board believes the issuance of the permit under the present application would be incompatible with the public interest, it also feels that the permit granted to the applicant on May 26, 1930, covering his services as director of the Hibernia Trust Company (predecessor to the Colonial Trust Company), New York, New York, and Hudson County National Bank, Jersey City, New Jersey, should be revoked. Accordingly, you are requested to advise the applicant of the Board's position in the matter unless there are pertinent facts which were not submitted with the application and which you feel should be given consideration.

"If you deem it desirable or necessary, you are authorized to inform Mr. Kinkead that the Board's action with reference to his present application, as well as to the permit which previously has been issued to him, was based upon the unsatisfactory condition of the banks involved and the nature and extent of the use which he has made of their credit facilities.

"In communicating with the applicant please advise him that, in accordance with Section V (g) of the Board's Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms, which he feels should be brought to the Board's attention, and that also, in accordance with Section V (i) of the same regulation, he may be afforded an opportunity to be heard in connection with the revocation of his permit. In this connection, please advise the Board promptly as to whether Mr. Kinkead desires to submit any additional data or to have a hearing, and if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to Assistant Federal Reserve Agent Fletcher's letter of October 6, 1934, inclosing a copy of a letter dated September 25, 1934, from Mr. Frank C. Irvine, Tarentum, Pennsylvania, and also submitting additional information obtained during a conference with Mr. Irvine relative to his application for permission under the provisions of the

10/29/34

-8-

"Clayton Act to serve at the same time as director and officer of First National Bank in Tarentum, Tarentum, Pennsylvania, and as a director of The Citizens National Bank of Evans City, Evans City, Pennsylvania, which was disapproved by the Board for the reasons set forth in its letter to you of September 18, 1934.

"In accordance with Section V (g) of Regulation L, additional facts and arguments were submitted by the applicant from which it appears that, although he attended only one of the monthly meetings held by the directors of The Citizens National Bank of Evans City during 1933, and one meeting held during the first five months of 1934, he has been in constant touch with the bank's affairs through association with his father, who is president of, and the dominating influence in, the bank; that he and his father own about 31 per cent of the capital stock of the bank; that the applicant's father is seventy-two years of age and depends to a large extent upon the assistance and banking knowledge of his son; and that the applicant stated he would in the future attend directors' meetings of this bank. It also appears that the statement made by your office, in the original report submitted with this application, to the effect that it was believed that the best interests of the public would be served by the applicant's limiting his services to the First National Bank in Tarentum as that bank would need his undivided attention to succeed, is somewhat offset by the fact, as indicated in Mr. Fletcher's letter of October 6, 1934, that, since the reorganization, the deposits of the First National Bank in Tarentum have increased, the bank is now on an earning basis and the applicant apparently enjoys the confidence of the bank's customers.

"In view of the foregoing, and in accordance with the recommendation of your office, the Board has approved the application of Mr. Irvine, and there are inclosed the original and copies of a permit covering his services with the above-named banks for transmittal by you to the applicant and the banks involved. There also is inclosed a copy of the permit for your files. The Board feels, however, 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, and when transmitting the permit to Mr. Irvine, it is suggested that you advise him that the permit has been granted with the expectation that, as indicated in his statement to you, he will improve his attendance at directors' meetings of The Citizens National Bank of Evans City.

"The Board requests that, when you submit your recommendation as a result of your annual review of this permit, you report fully as to Mr. Irvine's attendance at directors' meetings."

Approved.



10/29/34

-9-

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Assistant Federal Reserve Agent Young's letter of October 1, 1934, inclosing a copy of a letter from Mr. C. P. Bentley, Owosso, Michigan, submitting additional information relative to the application of Mr. Bentley for a Clayton Act permit, which was disapproved by the Board for the reasons set forth in its letter to you of September 20, 1934.

"The Board has given consideration to the additional facts submitted in accordance with Section V (g) of Regulation L and has granted a permit to Mr. Bentley to serve at the same time as a director of The Miami Beach First National Bank, Miami Beach, Florida, and as director and officer of the Owosso Savings Bank, Owosso, Michigan. There are inclosed the original and copies of the permit for transmittal by you to Mr. Bentley and the two banks, and a copy for your files.

"In considering Mr. Bentley's application and the additional information submitted, the Board noted the applicant's statement that he always attends directors' meetings at The Miami Beach First National Bank during the three or four months of his residence in Miami Beach each winter and that the majority of the bank's business is done during the winter season. It was noted also that in the report of examination of this bank as of March 28, 1934, the applicant was reported to have attended four of the six meetings of the directors held since the previous examination, this being the best attendance record of any of the three nonresident directors of the bank's board of directors of fourteen members.

"The Board feels that a director should have a satisfactory record of discharging his duties and responsibilities to a bank he is serving, through attendance at directors' meetings and through exercising supervision over the bank's affairs in other ways. Although it appears that during the several months he resides at Miami Beach each year, Mr. Bentley properly discharges his responsibilities to The Miami Beach First National Bank through attendance at directors' meetings, it was not disclosed in what way he keeps in touch with the bank's affairs throughout the rest of the year. When transmitting the permit to Mr. Bentley, you are requested to inform him that the permit has been granted with the expectation that he will keep in touch through appropriate means with the affairs of The Miami Beach First National Bank not only during that portion of the year in which he resides in Miami Beach, but during the remainder of the year when distance prevents his attendance at formal directors' meetings.

10/29/34

-10-

"Please advise the Board of your action in this matter."

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board has reconsidered the application of Mr. H. C. Jamieson for permission under the provisions of the Clayton Act to serve at the same time as officer of The First National Bank of Madison, Madison, Wisconsin, and as director of the Bank of Poynette, Poynette, Wisconsin, and, upon the basis of the information before it, including that submitted by the applicant in his letter dated October 8, 1934, still feels that the granting of the permit applied for would be incompatible with the public interest, as indicated in its letter to you dated September 18, 1934. You are requested to advise the applicant accordingly.

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

Approved.

Letter dated October 26, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board has reconsidered the applications of Messrs. William M. Smith and Schuyler L. Marshall, both of St. Johns, Michigan, for permission under the provisions of the Clayton Act to serve at the same time as directors of The St. Johns National Bank and the Clinton County Savings Bank, both of St. Johns, Michigan, and, upon the basis of the additional information furnished the Board in letters from Assistant Federal Reserve Agent Young, dated October 9, 1934, has granted the permits.

"The originals and copies of the Clayton Act permits are inclosed for transmittal by you to the applicants and the two banks involved, with copies for your files."

Approved.

Letters dated October 26, 1934, approved by five members of

10/29/34

-11-

the Board, to the respective Federal reserve agents, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permits applied for would be incompatible with the public interest. Each letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act:

Mr. Bartholomew E. Brophel, for permission to serve at the same time as a director of the Genesee Valley National Bank and Trust Company of Geneseo, Geneseo, New York, and as an officer and director of the Genesee River National Bank of Mount Morris, Mount Morris, New York.

Mr. E. Walter Moses, for permission to serve at the same time as an officer of the Dalton Banking House, Dalton, New York, and as a director of the Genesee Valley National Bank and Trust Company of Geneseo, Geneseo, New York.

Mr. F. W. Kavanaugh, for permission to serve at the same time as a director and officer of the Manufacturers Bank of Cohoes, Cohoes, New York, as a director of the Bank of Waterford, Waterford, New York, and as a director of the Bolton National Bank of Bolton Landing, Bolton Landing, New York.

Mr. W. T. Tredway, for permission to serve at the same time as a director of The Coraopolis National Bank, Coraopolis, Pennsylvania, and as a director of The Coraopolis Trust Company, Coraopolis, Pennsylvania.

Approved.

Letters dated October 26, 1934, approved by five members of the Board, to the following applicants for permits under the Clayton Act, advising of approval of their applications as follows:

10/29/34

-12-

Mr. S. L. Caum, for permission to serve at the same time as a director and officer of the Bethlehem National Bank, Bethlehem, Pennsylvania, and as a director of the Federal Home Loan Bank of Pittsburgh, Pittsburgh, Pennsylvania.

Mr. David M. McCloskey, for permission to serve at the same time as a director and officer of the First National Bank in Charleroi, Charleroi, Pennsylvania, and as a director and officer of the Charleroi Savings and Trust Company, Charleroi, Pennsylvania.

Mr. Joseph Coudon, for permission to serve at the same time as a director and officer of The Citizens National Bank of Havre de Grace, Havre de Grace, Maryland, and as a director and officer of The National Bank of Perryville, Perryville, Maryland.

Mr. C. N. Brunsdale, for permission to serve at the same time as a director and officer of The First and Farmers National Bank of Portland, Portland, North Dakota, and as a director of the Goose River Bank, Mayville, North Dakota.

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. 7.</u> The National Bank of Lanark, Lanark, Illinois	36	36
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u> Chemical Bank & Trust Company, New York, New York	3,000	3,000
<u>District No. 10.</u> The State Bank, Winfield, Kansas	9	
The Central Savings Bank and Trust Company, Denver, Colorado	90	99
	<u>Total</u>	<u>3,099</u>

Approved.

10/29/34

Thereupon the meeting adjourned.

Robert Morley  
Secretary.

Approved:

J. J. Thomas  
Vice Governor.