

A meeting of the Federal Reserve Board was held in Washington on Thursday, November 1, 1934, at 4:40 p. m.

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

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. DuBois, Assistant Counsel
Mr. Parry, Assistant Director of the
Division of Research and Statistics

ALSO PRESENT: Mr. Kennedy, Chairman of the Securities
and Exchange Commission

Mr. Thomas said that he wished to discuss the situation growing out of rulings numbers 16 and 27 of the Federal Reserve Board interpreting the provisions of section 7(c) of the Securities and Exchange Act of 1934, with special reference to so-called cash transactions in unregistered non-exempt securities. Various aspects of the questions of law and policy involved were discussed and reference was made to a memorandum which had been transmitted to Vice Governor Thomas by Mr. James M. Landis of the Securities and Exchange Commission together with a draft of a proposed ruling. Mr. Kennedy said that Mr. Landis' memorandum represented the views of the Securities and Exchange Commission on the subject.

The suggestion was made that a solution of the problem might be expedited if members of the Board's staff who had been studying the question were to confer with the Counsel of the Securities and Exchange Commission, and Mr. Wyatt stated that just before the

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meeting was called steps had been taken for that purpose. Mr. Parry reported the results of his discussions on a recent trip to New York with various persons connected with the New York Stock Exchange and indicated that he felt that there was a possible solution of the problem.

It was agreed that Mr. Parry, Mr. Wyatt and Mr. DuBois should confer as soon as possible today with counsel for the Securities and Exchange Commission and report back to the Federal Reserve Board tomorrow morning.

Messrs. Wyatt, Parry, DuBois and Kennedy left the meeting and the Board considered and acted upon the following matters:

Telegram dated October 31, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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

"Your letter October 26. Board approves temporary designation of E. F. Sims and H. B. Heim as examiners in Federal reserve agent's department of your bank at salary rate of \$300 per month."

Approved.

Letter dated October 31, 1934, approved by four members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of Mr. Fletcher's letter of October 24, 1934, in regard to the application of 'The Citizens

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"'Bank' of Shelby, Shelby, Ohio, for permission to retire \$50,000 of capital debentures purchased by the Reconstruction Finance Corporation. In view of the liquid and apparently satisfactory condition of this institution and Mr. Fletcher's favorable recommendation, the Board will interpose no objection to the retirement of the capital debentures proposed by the Shelby bank."

Approved.

Letter dated October 31, 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 Tulia', Tulia, Texas, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, that the released capital shall be used to eliminate or reduce a corresponding amount of undesirable assets and that local interests shall purchase an additional \$15,000 of criticized assets, all as set forth in your letter of October 23, 1934."

Approved.

Memorandum dated October 30, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that on October 24, 1934, the Secretary of the Treasury made payments to two Federal reserve banks, (Atlanta and Kansas City), in accordance with their applications under subsection (e) of section 13b of the Federal Reserve Act; that it is understood that a similar payment was made to the Federal Reserve Bank of Minneapolis on October 29; and that, in accordance with the Board's letter of July 5, 1934 (B-995), the amount of such payments received from the Secretary of the Treasury is to be shown in the Board's weekly statement of condition of Federal reserve banks

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against the caption "Surplus (Section 13b)" and the amount of surplus of the Federal reserve banks derived from net earnings against the caption "Surplus (Section 7)". The memorandum stated also that, in order that the significance of this change in the Board's weekly statement may be clear to the public, it is recommended that the following paragraph be included in the text accompanying the Board's weekly statement to be released on November 1, 1934:

"During the week the Secretary of the Treasury made payments to three Federal Reserve banks, in accordance with the provisions of Treasury regulations issued pursuant to subsection (e) of Section 13b of the Federal Reserve Act, for the purpose of enabling such banks to make industrial advances. Similar payments will be made to other Federal Reserve Banks upon receipt of their requests by the Secretary of the Treasury. The amount of the payments so made to the Federal Reserve banks is shown in the weekly statement against the caption 'Surplus (Section 13b)' to distinguish such surplus from surplus derived from earnings which is shown against the caption 'Surplus (Section 7)'."

The recommendation was approved by four members of the Board on October 31, 1934.

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Mr. Stevens, Chairman of the Federal Reserve Agents' Conference, reading as follows:

"Reference is made to the draft of pamphlet prepared by a committee of the Federal Reserve Agents' Conference and forwarded to the Board on behalf of the committee by Mr. H. G. Pett of the Federal Reserve Bank of Chicago. The pamphlet has now been reviewed and certain changes suggested, and there are inclosed twelve copies of the revised draft.

"While the pamphlet is approved by the Federal Reserve

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"Board and is being sent to you for transmission to the Federal reserve banks in order that they may have it printed, the Board feels that consideration should be given to the preparation of a further revision of the pamphlet which would accomplish satisfactorily the desired purposes, and which would be written in a more attractive style than the purely factual form of this draft. The Board will be pleased to have any suggestions that you may wish to make in this connection."

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Governor Calkins, Chairman of the Governors' Conference, referring to the minutes of the meeting of the Governors' Conference held in Washington on September 21-22, 1934, a copy of which was received by the Board from Governor Harrison of the Federal Reserve Bank of New York, with a letter dated October 9, 1934, and suggesting, for the consideration of Governor Calkins, certain changes in the minutes.

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, inclosing the following Clayton Act permit for transmittal to the applicant; suggesting that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of the Bank of Bethesda 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:

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Mr. Benjamin C. Perry, for permission to serve at the same time as a director and officer of the Bank of Bethesda, Bethesda, Maryland, and as a director of The Montgomery County National Bank of Rockville, Rockville, Maryland.

The letter stated also that, in considering Mr. Perry's application, it was also noted that Mr. George E. Hamilton was serving as a director of the Bank of Bethesda and as a director of the Union Trust Company, Washington, D. C., and that apparently no application under the provisions of the Clayton Act has been received from him; and requested that the agent ascertain whether Mr. Hamilton should file an application for a Clayton Act permit and, if so, forward to him the necessary application forms and advise him of the procedure to be followed in making application for a permit, at the same time advising the Board as to Mr. Hamilton's Clayton Act status.

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, inclosing the following Clayton Act permits; stating that, if he finds to his satisfaction that the provisions of section 32 of the Banking Act of 1933 are not applicable to the applicants, he is authorized to transmit the permits; and requesting that the agent advise the Board of the action taken in the matter:

Mr. Glenn A. Cross, for permission to serve at the same time as a director and officer of the Lakeview State Bank, Battle Creek, Michigan, and as a director of the Security National Bank of Battle Creek, Battle Creek, Michigan.

Mr. L. J. Karcher, for permission to serve at the same time as a director and officer of the Security National Bank of Battle

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Creek, Battle Creek, Michigan, and as a director and officer of the Lakeview State Bank, Battle Creek, Michigan.

The letter also requested that, when the agent submits his recommendation as a result of his annual review of the permits, prior to which time the Security National Bank of Battle Creek should have been examined, he report fully as to whether the applicants satisfactorily discharge their duties as officers and/or directors of the bank and as to whether there is any abuse of its credit facilities by Mr. Cross.

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"On August 27, 1934, the Board advised you that it had given consideration to the application of Mr. H. H. Banks, Columbia, Missouri, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of the Columbia Savings Bank, Columbia, Missouri, and as director of The First National Bank of Hico, Hico, Texas, and, upon the basis of information before it, felt that the issuance of the permit applied for would be incompatible with the public interest, the Board's action upon the application being based upon the applicant's non-attendance during the past two years at directors' meetings of The First National Bank of Hico, Hico, Texas, and upon the fact that his residence in Columbia, Missouri, approximately 800 miles from Hico, apparently would prevent him from adequately discharging the duties and responsibilities of his office.

"Subsequently, under date of October 10, 1934, you submitted to the Board a copy of a letter, dated October 8, 1934, from the applicant, in which he stated that he was placed on the board of directors of the Hico bank because the bulk of its stock was held in Missouri and there were not sufficient stockholders living in Hico for the purpose of filling the vacancy. He also stated that he had no desire to continue as a director of The First National Bank of Hico and had consented to

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"serve in the past only upon the solicitation of Vice President Dorsey of that bank, and that, in view of the fact that another election of directors would take place within ninety days at which time he would ask to be relieved, he would be willing to continue until the next election if the Federal Reserve Board granted him permission, otherwise he would resign at any time.

"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, including attendance at directors' meetings, it has granted the permit in this case in view of your favorable recommendation and in view of the good condition of the banks involved, the long period of time over which the applicant's services have extended, the absence of unfavorable factors other than nonattendance at directors' meetings of the Hico bank, and the comparatively short time remaining before another election of directors takes place, at which time the applicant has signified his intention of resigning as a director of the Hico bank. The permit is effective, however, only for the period ending at the close of December 31, 1934.

"There are inclosed the original and copies of the permit for transmittal by you to Mr. Banks and the two banks and a copy for your files. When transmitting the permit to Mr. Banks you are requested to call his attention to the limited status of the permit. At the expiration of the permit on December 31, 1934, please advise the Board of the steps taken by Mr. Banks to comply with the provisions of the Clayton Act.

"A copy of this letter and a copy of the permit are being sent to Mr. C. C. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas."

Approved.

Letter dated October 31, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicant the Board's position in the matter, and

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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. B. E. Hendricks, for permission to serve at the same time as a director of The First National Bank of Wahoo, Wahoo, Nebraska, as a director of the Oak Creek Valley Bank, Valparaiso, Nebraska, and as a director of the Union State Bank, Ceresco, Nebraska.

Approved.

Letter dated October 31, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, concurs in the agent's opinion that the issuance of the permit applied for would be incompatible with the public interest. The 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. T. S. Taliaferro, Jr., for permission to serve at the same time as a director and officer of the First National Bank of Green River, Green River, Wyoming, and as a director of the First Bank of Superior, Superior, Wyoming.

Approved.

Letters dated October 31, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising

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of approval of their applications as follows:

Mr. Frederick W. Tuck, Jr., for permission to serve at the same time as a director of The First National Bank of Islip, Islip, New York, and as a director of The Oystermen's Bank and Trust Company, Sayville, New York.

Mr. Coolidge A. Eichelberger, for permission to serve at the same time as a partner of the Everett Bank, Everett, Pennsylvania, and as a director of The First National Bank of Saxton, Saxton, Pennsylvania.

Mr. Frank MacPherson, for permission to serve at the same time as a director and officer of The First National Bank of Montgomery, Montgomery, Alabama, and as a director and officer of the First Joint Stock Land Bank of Montgomery, Montgomery, Alabama.

Mr. T. A. West, for permission to serve at the same time as a director and officer of The First National Bank of Hartford, Hartford, Alabama, and as a director and officer of the Bank of Ozark, Ozark, Alabama.

Mr. Montgomery Whaling, for permission to serve at the same time as a director of the Industrial Morris Plan Bank of Detroit, Detroit, Michigan, and as a director of The Birmingham National Bank, Birmingham, Michigan.

Mr. B. R. Stephens, for permission to serve at the same time as a director and officer of the Walters National Bank, Walters, Oklahoma, and as a director and officer of the Bank of Elgin, Elgin, Oklahoma.

Mr. Sol Mayer, for permission to serve at the same time as a director and officer of the San Angelo National Bank of San Angelo, San Angelo, Texas, and as a director and officer of the Security State Bank, Pecos, Texas.

Approved.

Thereupon the meeting adjourned.

Charles Moriel
Secretary.

Approved:

J. Thomas
Vice Governor.