

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, November 5, 1934, at 3:30 p. m.

PRESENT: Mr. Hamlin, Chairman of the Executive
Committee
Mr. Miller
Mr. James
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The Committee considered and acted upon the following matters:

Telegrams dated November 3, 1934, from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, and Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, both advising that, at meetings of the boards of directors on that date, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated November 3, 1934, sent with the approval of four members of the Board, to Mr. E. F. Abell, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of October 31, 1934, in which you agree to furnish professional services for the purpose of making a study of the organization of space in the new building to be erected by the Federal Reserve Board; it being understood that for the services to be rendered you will receive payment from the Board at the rate of \$350 per month and reimbursement for out-of-pocket expenses incurred in connection with your work for the Board, for traveling expenses, blue prints, etc. It is also understood that you will furnish, without additional cost to the Board, such assistants as may be required to complete the survey; that it is believed the

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"work can be completed in about six weeks; and that the traveling expenses referred to above will not exceed a total of \$250 for yourself and assistants.

"The Federal Reserve Board accepts your offer and, in accordance with the arrangement made with you when you were in Washington on October 30, it will be appreciated if you will begin your study on Monday, November 5, 1934."

Approved.

Telegram dated November 3, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of the 'Saginaw State Bank', Saginaw, Michigan, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved.

Letter dated November 3, 1934, approved by three members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letters of October 17 and October 24, 1934, transmitting the request of the 'Bar Harbor Banking and Trust Company', Bar Harbor, Maine, which was admitted to membership on December 9, 1933, for an extension of time of one year within which it may comply with that portion of condition of membership numbered 21 which provides that

'Within one year after date of admission to membership, such bank, if it has not already done so, shall reduce to an amount prescribed by the limits of the laws of the State of Maine the loan of \$170,000 to Mr. G. H. Parker which is shown in the report of examination of such bank made as of July 10, 1933, by an examiner for the Federal Reserve Bank of Boston, as being in excess of such limits.....'

"It is noted that the president of the bank has stated that the loan has now been reduced to approximately \$161,000. The Board does not believe that an extension of one year as

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"requested is justified, but in view of the circumstances extends to June 9, 1935, the time within which the Bar Harbor Banking and Trust Company may comply with the provisions of membership condition numbered 21 by reducing its loan to G. H. Parker to an amount within legal limits, and it is requested that you advise the bank accordingly."

Approved.

Letter dated November 3, 1934, approved by three 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 Grove City', Grove City, Pennsylvania, from \$150,000 to \$75,000, pursuant to a plan which provides that the released capital shall be used to eliminate a corresponding amount of the least desirable assets in the bank, including all estimated losses which have not already been eliminated and all depreciation in lower grade investment securities, all as set forth in your memorandum of October 25, 1934."

Approved.

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

"The lists of nonmember banks which have filed agreements pursuant to Section 8(a) of Securities Exchange Act of 1934, requested in Board's telegram TRANS 2094 of September 28, should include every such bank whether located in your district or in another district. These lists will be compared at Board's offices in order to see that the lists available at all Federal Reserve banks are identical. If your bank has sent in list as of October 31 for your district only, please mail revised report which will include banks in all districts as shown by your records."

Approved.

Telegram dated November 3, 1934, approved by two members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal

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Reserve Bank of Boston, reading as follows:

"Referring first question in letter of October 29, 1934, from Kennel to Parry regarding withdrawal of unregistered non-exempted securities from restricted new account under Regulation T. Board agrees with conclusion stated in letter that the regulation does not prohibit withdrawal of such securities from such account."

Approved.

Letter dated November 3, 1934, approved by four members of the Board, to Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of October 22, 1934, and inclosures, with regard to the partial payment of principal and payment of interest as of October 18, 1934, on the participations of the Federal reserve banks in the credits to the National Bank of Hungary, from which it is noted that, in accordance with the suggestion contained in your letter of September 28, 1934, to the Bank for International Settlements that the payments be made under the same procedure as was followed in connection with the payments on April 18, 1934, your pro rata share of the gold available for payment on account of the first syndicate credit, in the amount of \$118,653.97, was sold in London on October 18, and the dollar proceeds, amounting to \$201,320.00, were transferred to you on October 20 and participated among the twelve Federal reserve banks. It is also noted that the interest payment of \$11,498.02 (calculated at the gold parity of the dollar on December 17, 1931) on the second syndicate credit, due on October 18, 1934, was converted into United States dollars, and that you received on October 18 from the Bank for International Settlements \$19,467.59 as the dollar proceeds, \$11,498.02 of which was credited as discount earned and \$7,969.57 as a partial repayment of the second syndicate credit.

"In connection with the partial repayment of 2% of the principal due on the second syndicate credit, it is noted that you have requested the views of the Bank for International Settlements as to whether it would be advisable for that bank, on behalf of all of the participants in the credits, to ask the Hungarian National Bank to reconsider its action in postponing, under clause 6 of the contract letter of November 6, 1933, the transfer of the 2% payment, or at least to ask the Hungarian National Bank for further information or explanation regarding the necessity for this action.

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"It is assumed that you will advise the Board promptly of the reply received from the Bank for International Settlements in connection with your request and with regard to the decision reached in the matter."

Approved.

In connection with the above, consideration was given to a memorandum dated July 30, 1934, which was received in the Secretary's office on October 18, 1934, from Mr. DuBois, Assistant Counsel, submitted in accordance with the request made at the meeting of the Board on May 21, 1934 that Counsel submit an opinion as to the legal aspects of the action of the Federal Reserve Bank of New York in crediting at the dollar value instead of the gold value the payments received on the credits to the National Bank of Hungary. The memorandum stated that Counsel is of the opinion that, while the question is admittedly not free from doubt, the procedure used by the Federal Reserve Bank of New York in crediting the payments is proper.

Letter dated November 3, 1934, approved by three members of the Board, to Mr. Howard B. Stewart, Cashier of The First National Bank, Hermon, New York, reading as follows:

"This refers to your letter of October 16, 1934, regarding the payment of certain certificates of deposit prior to their maturity.

"It is understood that on July 2, 1934, one Flavius Stalbird renewed two joint certificates of deposit payable January 2, 1935, to Mr. Stalbird or to his daughter as joint tenants with right of survivorship. You state that following Mr. Stalbird's death in September, his daughter informed you that it was her father's intention to have the money distributed among his children equally, notwithstanding the fact that the certificates are drawn to the order of himself and his daughter; and in the circumstances you request to be advised whether you may pay these certificates without violating the Banking Act of 1933.

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"Section 19 of the Federal Reserve Act prohibits the payment by a member bank of any time deposit before its maturity and section IV of the Federal Reserve Board's Regulation Q, a copy of which is inclosed herewith, provides that no member bank shall pay any time deposit, which is payable on a specified date, before such specified date. The language of the statute is explicit and does not authorize the Board to make an exception for any purpose. Accordingly, your bank may not lawfully pay the certificates in question before the maturity date specified therein."

Approved.

Letter dated November 3, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Young's letter of March 14, 1934, requesting advice as to the eligibility of the Valley Savings Bank, Des Moines, Iowa, for admission to membership in the Federal Reserve System.

"As you know, at the time of the reorganization of the Valley Savings Bank in May 1933 that bank entered into an agreement with its depositors under which the depositors waived 45% of their claims against the bank and the bank issued to such depositors trust certificates entitling the depositors to the proceeds of the liquidation of certain segregated assets and also agreed to pay such certificate holders a sum equal to 100% of the capital stock of the bank. It is understood the counsel for the Federal Reserve Bank of Chicago is of the opinion that under such agreement, as controlled by the applicable provisions of the laws of Iowa, the depositors holding such trust certificates have a claim against the bank to an amount equal to 100% of its capital stock which is payable out of the net earnings of the bank and, in the event of liquidation, would be payable to such certificate holders out of any assets of the bank prior to distribution of assets to its stockholders. However, a question has been raised as to whether this is a proper construction of the agreement between the bank and the certificate holders under the applicable provisions of the laws of Iowa and it has been suggested that possibly such certificate holders have a claim only against net earnings of the bank in an amount equal to 100% of its capital and, in the event of liquidation, would not have any claim against other assets of the bank payable before distribution of assets to its stockholders. Accordingly, before the Board

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"takes any action on the question presented by Mr. Young, you are requested to obtain from the Superintendent of Banking of the State of Iowa an opinion of the Attorney General of that State as to whether or not, in the event of liquidation of the Valley Savings Bank, the holders of the certificates would, under the agreement above referred to and the applicable provisions of the laws of Iowa, have a claim to the extent of any unpaid portion of the amount equal to 100% of the capital stock of the bank against any assets of the institution prior to the distribution of assets to the stockholders of the bank."

Approved.

Letter dated November 3, 1934, approved by three members of the Board, to Mr. Elbert S. Burns, Cashier of the National Bank of Detroit, Michigan, reading as follows:

"This refers to your letter dated September 4, 1934, addressed to Mr. E. H. Gough, Deputy Comptroller of the Currency, which has been referred by him to the Federal Reserve Board for reply.

"In your letter, you ask to be advised whether deposits of general funds, as contrasted with trust funds, of a trust company which is not qualified to do a banking business, should be treated by the depository member bank, as amounts due to other banks in computing reserves to be carried with the Federal reserve bank of the district, under the provisions of section 19 of the Federal Reserve Act.

"In view of the fact that section 1 of the Federal Reserve Act provides that wherever the word 'bank' is used in the Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to, it is the opinion of the Board that deposits of general funds of a trust company which is not qualified to do a banking business are amounts due to other banks within section 19 of the Federal Reserve Act which provides that 'the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal reserve banks shall be determined.'

"The above opinion, of course, refers only to deposits of general funds of such a trust company, and does not apply to deposits of trust funds, since section III of the Board's Regulation D provides that, in computing reserve requirements, trust funds deposited in a member bank by another bank to the credit of such other bank as trustee or other fiduciary must

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"be classified by the member bank as individual deposits rather than bank deposits."

Approved.

Letter dated November 3, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Young's letter of October 11, 1934, relative to the application of Mr. Charles W. Hamer, Greentown, Indiana, for permission under the provisions of the Clayton Act to serve at the same time as director of The First National Bank at Swayzee, Swayzee, Indiana, State Bank of Greentown, Greentown, Indiana, and Union Bank & Trust Company, Kokomo, Indiana, which was granted by the Board on July 16, 1934.

"In considering this application it was noted that Mr. Hamer appeared to be serving as an inactive vice president of the State Bank of Greentown but inasmuch as his application requested permission to serve this bank only in the capacity of director, it was assumed that he would no longer serve as an officer of that bank and such service was not covered by the permit issued to him on July 16, 1934. It now appears, however, that Mr. Hamer desires to continue his service as an inactive vice president of the State Bank of Greentown, and inasmuch as there appears to be no change in the applicant's relations with the three banks, the Board has granted a permit to Mr. Hamer covering his present services as director of The First National Bank at Swayzee, Swayzee, as director and officer of State Bank of Greentown, Greentown, and as director of Union Bank & Trust Company, Kokomo, all of Indiana. There are inclosed the original and copies of the amended permit for transmittal by you to the applicant and the banks involved, and a copy for your files."

Approved.

Letter dated November 3, 1934, approved by two 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 24, 1934, with reference to the Clayton Act status of Mr. James F. Toy, Sioux City, Iowa. Mr. Young stated that he had advised Mr. Toy that if Mr. Toy

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"resigned as director and officer of The Toy National Bank of Sioux City, Sioux City, Iowa, which institution has resources in excess of \$5,000,000, he could serve as director of the ten other small national banks and the seven State banks in the Toy group, located in Iowa, Nebraska and South Dakota, without a permit under the provisions of the Clayton Act, provided the directors of such banks pass a resolution stating that they will not make loans upon the security of stocks or bonds. Mr. Young requested advice as to whether Mr. Toy's relationships under such an arrangement would be in conformity with the provisions of the Clayton Act.

"From Mr. Young's telephone conversation with one of the Board's examiners, it is understood that all of the banks which Mr. Toy expects to serve are located in small towns of less than 200,000 population and that each bank has total resources of less than \$5,000,000. Therefore, it appears that the provisions of Section 8 of the Clayton Act are not applicable to Mr. Toy's relationships with any of the institutions referred to in Mr. Young's letter, except The Toy National Bank of Sioux City, Sioux City, Iowa. If Mr. Toy severs his relationships with The Toy National Bank of Sioux City, Sioux City, Iowa, and is not a director, officer or employee of any corporation (other than a mutual savings bank) or a member of a partnership which makes loans secured by stock or bond collateral to any individual, association, partnership or corporation other than its own subsidiaries, and if none of the national banks and State banks which he continues to serve make loans secured by stock or bond collateral, Mr. Toy's relationships will be in conformity with the provisions of Section 8A of the Clayton Act and a permit for such services will not be necessary."

Approved.

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

"Reference is made to the applications of Messrs. Lynn T. Hannahs and C. C. Allen, both of Kenosha, Wisconsin, for permission under the provisions of the Clayton Act to serve at the same time as directors and officers of The First National Bank of Kenosha, and The Brown National Bank of Kenosha, both of Kenosha, Wisconsin.

"The Board has approved the application of Mr. Hannahs, and there are inclosed the original and copies of a permit covering his present services with these banks, for transmittal by you to the applicant and the banks involved, and a copy for your files.

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"With reference to the application of Mr. Allen, it appears from available information that a new permit is unnecessary inasmuch as the Board granted a permit to Mr. Allen on April 17, 1924 to serve at the same time as director and officer of the two national banks above named and the Northwestern Loan and Trust Company, Kenosha, Wisconsin, which latter institution is apparently discontinuing its commercial banking activities and no longer makes loans secured by stock or bond collateral. If Mr. Allen's services with the three banks covered by the permit issued to him on April 17, 1924 have been continuous and he has not severed his connection with one (or more) of these institutions since that date, again becoming connected with it (or them) at a subsequent date, or if he has not become associated with some other banking institution as a director, officer or employee since April 17, 1924 for which service a permit was necessary but not obtained it appears that the permit now held by him is still valid. In view of the foregoing please ascertain the facts with respect to Mr. Allen's Clayton Act status and advise the Board of the results of your investigation.

"In the consideration of the applications of Messrs. Hannahs and Allen it was noted from the report of examination of the First National Bank of Kenosha as at February 7, 1934 (page 4 - L) that a loan of \$52,559.30 to Mr. Charles H. Pfennig, Kenosha, Wisconsin, who also serves the two national banks above named under a permit granted April 17, 1924, was classified \$30,000 slow and the remainder as doubtful. In view of this criticism, it is requested that you review the existing permit held by Mr. Pfennig and report fully as to whether, in your opinion, he is abusing the credit facilities of the bank to which reference has been made, submitting your recommendation as to whether or not the permit held by Mr. Pfennig should be revoked."

Approved.

Letters dated November 3, 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. William E. Hall, for permission to serve at the same time as a director and officer of The Saint Marys National Bank, St. Marys, Pennsylvania, as a director and officer of The Saint Marys Trust Company, St. Marys, Pennsylvania, and as a director of the Greenwich Trust Company, Greenwich, Connecticut.

Mr. Andrew Kaul III, for permission to serve at the same time as a director of The Saint Marys National Bank, St. Marys,

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Pennsylvania, and as a director of The Saint Marys Trust Company, St. Marys, Pennsylvania.

Mr. William Kaul, for permission to serve at the same time as a director and officer of The Saint Marys National Bank, St. Marys, Pennsylvania, and as a director and officer of The Saint Marys Trust Company, St. Marys, Pennsylvania.

Mr. H. C. Stackpole, for permission to serve at the same time as a director of The Saint Marys National Bank, St. Marys, Pennsylvania, and as a director of The Saint Marys Trust Company, St. Marys, Pennsylvania.

Approved.

In connection with the above, consideration was given to a memorandum dated October 4, 1934, from Mr. Cherry, Assistant Counsel, raising the question as to whether delivery of the Clayton Act permits referred to above should be withheld until the J. K. P. Hall Corporation, which is a holding company affiliate of The Saint Marys National Bank, files an application for a voting permit, and it was decided to issue the permits without requiring the filing of an application.

Letter dated November 3, 1934, approved by three members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. C. F. Rathburn, for permission to serve at the same time as a director and officer of The Citizens National Bank of Middleport, Middleport, Ohio, and as a partner of Rathburn's Bank, Rutland, Ohio.

Approved.

Letter dated November 3, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. J. S. Ambrose, for permission to serve at the same time as

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a director of the Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, and as a director of The Peoples National Bank of Hancock, Hancock, Maryland.

Approved.

Thereupon the meeting adjourned.

Robert Howell
Secretary.

Approved:

Robert Howell
Chairman, Executive Committee.