

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, November 8, 1934, at 3:15 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Paulger, Chief of the Division of Examinations
Mr. Smead, Chief of the Division of Bank Operations
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Wyatt, General Counsel
Mr. Vest, Assistant Counsel
Mr. Daiger, Assistant to Vice Governor Thomas

ALSO PRESENT: Mr. Winfield Riefler, Economic Adviser to the National Emergency Council

Mr. Daiger stated that Vice Governor Thomas had requested that, during his absence, Mr. Daiger discuss with the individual members of the Board the Administration's housing program preparatory to a meeting on the subject following Vice Governor Thomas' return next week. He said that the matter was being brought to the attention of the members of the Board at this time for the reason that it was felt that certain proposed activities under the National Housing Act should be considered by the Board and, if favorably regarded, they might be discussed with representatives of the Federal reserve banks who will be in Washington on November 13, 1934, in connection with a meeting of the System Committee on Legislative

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Program.

Mr. Riefler referred to the modernization activities being conducted by the Federal Housing Administration under title I of the National Housing Act and to the long term mortgage program to be conducted under titles II and III of the act, and he expressed the opinion that both activities are of such a character that the Federal Reserve Board might assume the leadership from a banking point of view with the thought of encouraging the cooperation of commercial banks. He said he thought it would be helpful if the Federal reserve banks could arrange meetings of representative bankers in the respective Federal reserve cities at which Mr. Roger Steffan of the Federal Housing Administration could make a talk on modernization credits similar to the one made by him at the meeting of the Board on October 18, 1934. He also suggested that it might be desirable for the Federal reserve banks to arrange office space for the local offices of the Federal Housing Administration in the Federal reserve bank buildings which would give the Federal reserve bank officials close contact with the work of the Administration. He referred to the proposed organization under title III of the National Housing Act of mortgage associations for the purpose of taking insured home mortgages and issuing debentures against such mortgages to the general public, and he said that, in his opinion, it was important from the standpoint of the success of the program to have these associations sponsored by responsible interests and organized in as careful a manner as the Federal reserve banks were organized and by about the

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same general type of bankers.

Mr. Daiger stated that, in view of the fact that Governor Black is serving as liaison officer between the administration and the banks of the country, and since a group of New York bankers have been actively interested in the housing program for six months or more, he felt that it would be desirable to discuss the matter of the Federal Reserve System's activities in connection with the housing program with Governor Black and Governor Harrison of the Federal Reserve Bank of New York next week, following which a meeting might be called to which would be invited representatives of the Federal Reserve Bank of New York, three or four of the larger New York member banks and possibly others who are familiar with the housing program, with the view of developing a pattern of procedure in the New York district which could be followed in the other Federal reserve districts.

Mr. Szymczak inquired as to what action has been taken in connection with the suggestion made at the meeting of the Board on October 18 that Mr. Roger Steffan of the Federal Housing Administration address meetings in the various Federal reserve bank cities, and Mr. Morrill called attention to the fact that Mr. Steffan had stated that at that time he was unable to arrange an itinerary for such meetings. Mr. Morrill also stated that he had discussed the suggestion with the Federal Reserve Agents at Cleveland, Chicago, and Minneapolis and that they had stated that they would be glad to arrange such meetings if they could be advised when Mr. Steffan

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would be available for the purpose; that Mr. Steffan recently attended a meeting in Minneapolis at which he discussed modernization credits; and that it was his understanding that there is a possibility of Mr. Steffan being able to arrange visits to the various Federal reserve banks in the near future.

There followed a general discussion of the housing program under the National Housing Act and the part which might be taken by banking institutions in such program. Mr. Riefler stated that the program would provide prime investments for banking institutions and that, in his opinion, the banks throughout the country would be a proper medium for making the insured mortgage loans contemplated by the act; that the banks would desire to arrange such insured mortgage loans as long as they carried savings deposits; that they would want to have an arrangement with the mortgage associations so that they could dispose of the insured mortgages whenever they desired to do so in order to enable them to use their funds in other channels; and that under this arrangement the banks would be parties to the transactions originating the insured mortgages and the mortgage associations would be the final repositories of the mortgages, against which they would issue debentures.

During this discussion Mr. James entered the meeting.

It was understood that Mr. Morrill would take up further the question of the possibility of arranging meetings in the various Federal reserve bank cities other than Minneapolis at which Mr. Steffan would be present to discuss modernization credits.

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It was also understood that Messrs. Riefler and Daiger would discuss with Governors Black and Harrison next week the other suggestions made by Mr. Riefler at this meeting.

Messrs. Paulger, Smead, Goldenweiser, Wyatt, Vest, Daiger, and Riefler then left the meeting, and the Committee acted upon the following matters:

Telegrams dated November 7, 1934, from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, and November 8, 1934, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated November 6, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, transmitting and recommending acceptance of the resignation of Mr. Donald S. Thompson as a research assistant in the division, effective as of the close of business on November 7, 1934.

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. Case, Chairman of the Federal Reserve Bank of New York, reading as follows:

"In the last paragraph of the Board's letter of April 11, 1934, reference was made to the plan under consideration by the Board whereby changes, at least with respect to those of an important character, in the salaries of officers of Federal Reserve banks might be considered somewhat informally in advance of submission of definite recommendations by board of directors of

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"Federal Reserve banks.

"This suggestion has been given further consideration by the Board. Its committee on salaries and expenditures of the Federal Reserve banks and its committee for your district would be glad to have brought to their attention, in such manner as you may think most expedient, any proposed changes in salaries of officers of your bank which you would like to have considered informally in advance of the submission of definite recommendations by your board of directors. In order that any such procedure may not delay the submission of definite recommendations for changes in salaries by your board of directors, the Board's committees would appreciate your taking up with them any changes you would like to have considered in the manner indicated above not later than the 1st of December, if practicable."

Approved, together with similar letters, also dated November 7, 1934, and approved by four members of the Board, to the chairmen of all Federal reserve banks except New York, Cleveland, Atlanta, and Minneapolis.

Memorandum dated November 5, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated October 30, 1934, from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, which requested approval of changes in the personnel classification plan of the bank to provide for the new positions of "asst. manager, 13b loans and discounts", "supervisor, 13b loans and discounts", and "stenographer, 13b loans and discounts" in the loans and discounts department. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by four members of the Board on November 7, 1934.

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. Strater, Secretary of the Federal Reserve Bank of

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Cleveland, stating that, in accordance with the recommendation contained in his letter of October 30, 1934, the Board approves changes in the personnel classification plan of the bank to provide for the new positions of "supervisor-Federal reserve agent's department", "stenographer", and "file clerk" in the regulation of margin requirements department. The letter stated also, with reference to an inquiry contained in the last paragraph of a letter dated September 25 from Mr. Strater, that expenses connected with carrying out regulations issued pursuant to the Securities Exchange Act of 1934 should be charged to a separate unit "Securities Exchange" in functional expense reports, Form E.

Approved, together with a telegram, also dated November 7, 1934, and approved by four members of the Board, to the governors of all Federal reserve banks except Cleveland, advising them that expenses connected with carrying out regulations issued pursuant to the Securities Exchange Act of 1934 should be charged to a separate unit "Securities Exchange" in functional expense reports, Form E.

Letter dated November 7, 1934, approved by four members of the Board, to the board of directors of the "Worcester Bank & Trust Company", Worcester, Massachusetts, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston, effective if and when the Worcester Bank & Trust Company has been recapitalized under the plan known as the "Plan of Reorganization for reopening of the Trust Company and for retirement of Certificates of

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"Worcester Depositors Corporation", dated September 19, 1934, and has been duly authorized by the Commissioner of Banks for the Commonwealth of Massachusetts to commence business.

Approved, together with a letter, also dated November 7, 1934, and approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There is transmitted herewith for your consideration an application of the 'Worcester Bank & Trust Company', Worcester, Massachusetts, for permission to establish and operate branches at Barre, Fitchburg, North Brookfield and Spencer, all located in Worcester County, Massachusetts.

"The Worcester Bank & Trust Company, a former member bank which was not licensed after the banking holiday, voluntarily withdrew from membership on June 5, 1933, is now in the hands of a conservator, and is to be rehabilitated under a plan of reorganization dated September 19, 1934, which has been slightly amended and a copy of which is attached. In connection with the reorganization the name of the bank is to be changed to Worcester County Trust Company. Through affiliates, the 'Worcester Bank & Trust Company' owns all except directors' qualifying shares of the 'Worcester County National Bank of Worcester', Worcester, 'Second National Bank of Barre', Barre, 'North Brookfield National Bank', North Brookfield, and 'The Spencer National Bank', Spencer, all located in Worcester County, Massachusetts. The plan of reorganization contemplates that the Worcester Bank & Trust Company will acquire certain assets of the national banks and assume all liabilities of such banks, except liabilities to stockholders. The Worcester County National Bank is at present operating a branch at Fitchburg, Massachusetts, and the proposed branches to be operated by the Worcester Bank & Trust Company are to be located in the offices now occupied by the Fitchburg branch of the Worcester County National Bank and the three national banks at Barre, North Brookfield, and Spencer.

"The Commissioner of Banks for the Commonwealth of Massachusetts has stated that he will authorize the maintenance of the branches above specified, and has indicated that he will approve the plan of reorganization. The Federal Reserve Agent at the Federal Reserve Bank of Boston has approved the plan of reorganization and has recommended that permission be granted for the establishment and operation of the branches. The Federal Reserve Board has approved the application of the Worcester Bank & Trust Company for membership in the System

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"subject to a condition, among others, that prior to admission to membership it shall have received your approval for the establishment and maintenance of the proposed branches at Barre, Fitchburg, North Brookfield, and Spencer, and it is recommended that you approve the establishment and operation of such branches on condition that the establishment and operation of branches at Barre, Fitchburg, North Brookfield, and Spencer shall be approved by the appropriate State authorities.

"The bank's application also includes a request for approval of the establishment and operation of branches in the three branch offices in Worcester, but under the provisions of the Federal Reserve Act approval by your office is not required for the establishment of branches of State member banks located in the same place as the head office, and accordingly no action as to such branches is requested of your office.

"The attached file includes a letter dated October 26, 1934, with inclosures, from Mr. Curtiss, Federal Reserve Agent at Boston, a report of the examinations of the Worcester Bank & Trust Company and the four national banks as of July 27, 1934, and a copy of the memorandum prepared by the Board's Division of Examinations in connection with the application for membership. It will be appreciated if you will return this file when it has served your purpose and when you advise the Board of your action on the application."

In connection with the above, there was presented a letter dated November 7, 1934, and approved by two members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to the Board's letter of this date advising of approval of the application of the Worcester Bank and Trust Company, Worcester, Massachusetts, for membership in the Federal Reserve System, in which it was stated that the application of the bank for permission to establish and maintain branches has been transmitted to the Comptroller of the Currency and that you would be advised as to his action with regard thereto.

"The Board is now in receipt of a letter from the Acting Comptroller of the Currency stating that he approves the establishment and operation by the Worcester Bank and Trust Company of branches at Barre, Fitchburg, North Brookfield and Spencer, all located in Worcester County, Massachusetts, provided the establishment and operation of these branches shall be approved by the Federal Reserve Board and appropriate State authorities, and provided the bank complies with the conditions of membership

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"prescribed by the Board.

"The Federal Reserve Board approves the establishment and operation by the Worcester Bank and Trust Company of branches at Barre, Fitchburg, North Brookfield and Spencer, and it is requested that you advise the bank of the action taken on its application."

Approved.

Letter dated November 6, 1934, approved by four members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"This refers to the letter from Mr. William D. McRae, Assistant Federal Reserve Agent, dated October 6, 1934, with inclosures, in regard to the acquisition by The First National Bank of Boston, Boston, Massachusetts, of the stock of the First of Boston International Corporation.

"The Board has considered the proposed application and drafts of other documents submitted with the letter to the Federal Reserve Bank of Boston from Mr. Charles E. Spencer, Jr., Vice President of The First National Bank of Boston, under date of October 5, 1934. It is noted that the proposed application requests the permission of the Federal Reserve Board for The First National Bank of Boston to continue to hold the stock of the First of Boston International Corporation, but does not request permission to invest in, purchase or acquire such stock. Inasmuch as the permission of the Board is required by law before a national bank may invest in the stock of a corporation principally engaged in international or foreign banking, in the circumstances of this case it is the view of the Federal Reserve Board that the application of The First National Bank of Boston should be made for permission to acquire and to hold the stock of the First of Boston International Corporation. It is suggested, therefore, that the following changes be made in the form of application and other papers submitted with Mr. Spencer's letter of October 5:

"(1) In the title of the application, insert the words 'acquire and' before the word 'hold'.

"(2) In the first line of the text of the application, insert the words 'acquire and' before the word 'hold'.

"(3) At the beginning of the first 'whereas clause' of the resolution, substitute the words 'obtain the permission of the Federal Reserve Board' in lieu of the word 'continue'.

"(4) Near the end of the first 'whereas clause' of the resolution, insert after the words 'this association' the

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"words 'after obtaining the permission of the Federal Reserve Board'.

"(5) In the fourth 'whereas clause' of the resolution, after the words 'whose stock this association', insert the words 'after obtaining the permission of the Federal Reserve Board'.

"(6) In the paragraph commencing 'Now, therefore', strike out the words 'continue to' and insert in lieu thereof the words 'acquire and'. In the same paragraph strike out the words 'such shares to be held'.

"(7) In the paragraph of the application commencing 'Pursuant to the foregoing resolution' substitute the words 'acquire and' in lieu of the words 'continue to'.

"In the letter proposed to be addressed to the Federal Reserve Board by the First of Boston International Corporation, the application of The First National Bank of Boston should be described as one for permission to acquire and hold the stock of the corporation.

"If the changes above set out are made in the papers submitted with Mr. Spencer's letter of October 5, the Federal Reserve Board will raise no objection to the sufficiency of the form of these papers. As stated in the Board's letter of August 25, if the Federal Reserve Board upon consideration of the application should decide to approve it, the First of Boston International Corporation will be required to execute a form of agreement which will be furnished by the Board, before the Board's permission for the acquisition and holding of this stock by The First National Bank of Boston will be granted."

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, with regard to certain matters commented on in the report of examination of the "Planters Bank and Trust Company", Hopkinsville, Kentucky, as of May 28, 1934.

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to Mr. Stewart's letter of November 1, 1934, recommending an extension to March 15, 1935, of the time within which 'The Bank of Edwardsville', Edwardsville, Illinois, which was admitted to membership July 10, 1933, may comply with

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"membership condition numbered 18 which provides that:

'Such bank shall within six months from the date of its admission to membership, dispose of the parcel of other real estate carried on its books at \$12,000 and which has been held for more than five years.'

"The report of examination of the bank as of January 29, 1934, indicates that the property, which has an appraised value of \$18,000, has been carried beyond the statutory limits but that the management of the bank desires to hold the property until such time as it can be disposed of at a reasonable figure. The Board, as you know, feels that other real estate is an undesirable asset for a member bank and that as a matter of sound banking policy a bank should not continue to carry for an extended period of time properties which it has been forced to acquire, but should dispose of them as soon as it is practicable to do so.

"However, in view of all the circumstances and the recommendation of your office, the Board extends to March 15, 1935, the time within which The Bank of Edwardsville may comply with the provisions of membership condition numbered 18, provided, that the proper State authorities have granted permission to the bank to carry the property beyond the statutory time limit. Accordingly, it is requested that you advise the bank of the Board's action and views in the matter."

Approved.

Letter dated November 6, 1934, approved by four members of the Board, to 'The Maytown National Bank', Maytown, Pennsylvania, reading as follows:

"This refers to the resolution adopted on July 11, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to act as trustee, executor, administrator, and registrar of stocks and bonds.

"The Federal Reserve Board understands that your bank has never exercised its right to act in these trust capacities. The Board, therefore, has issued a formal certificate to 'The Maytown National Bank', Maytown, Pennsylvania, certifying that it is no longer authorized to act as trustee, executor, administrator, and registrar of stocks and bonds or to exercise any of the other 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 Act, as amended, when such a certificate has been issued

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"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 November 7, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of Acting Comptroller Awalt's letter of October 31, 1934, with reference to the proposed reduction in the common capital stock of 'The Home National Bank of Sutton', Sutton, West Virginia, from \$60,000 to \$30,000, and the sale of \$100,000 preferred stock to the Reconstruction Finance Corporation and/or others, which was approved by the Board on June 7, 1934.

"Mr. Awalt advises that the original plan of recapitalization has been changed and the bank now proposes to sell \$80,000 of preferred stock instead of the \$100,000 originally contemplated.

"Inasmuch as the released capital is to be used to eliminate a corresponding amount of unsatisfactory assets, and since a comparison of the bank's statements of condition as of February 6, 1934 and July 31, 1934, discloses an improvement in its general condition, the Board, in accordance with Mr. Awalt's recommendation, amends its previous approval to provide for the sale of \$80,000 of preferred stock as set forth in his letter of October 31, 1934, instead of \$100,000 as originally proposed, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of Acting Comptroller Awalt's

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"memorandum of November 2, 1934, with reference to the proposed reduction in the common capital stock of 'The First National Bank of McIntosh', McIntosh, Minnesota, which was approved by the Board on July 3, 1934, pursuant to a plan which provided among other things for a contribution of \$5,000 by local interests.

"Mr. Awalt advises that due to the improvement in the bank's condition the contribution is not needed at this time, but that the existing secured guaranty of \$20,000 will be continued in force until discharged by payment or the guarantors are released with the consent of the Reconstruction Finance Corporation.

"In accordance with Mr. Awalt's recommendation, the Board amends its previous approval by eliminating the requirement for a \$5,000 contribution, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consideration to the application of the "First Bank Stock Corporation", Minneapolis, Minnesota, 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 First National Bank of Princeton", Princeton, Minnesota, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to December 31, 1934, to authorize or ratify the execution of a contract for the sale of the bank building and fixtures of such bank, and to place such bank in voluntary liquidation in accordance with law."

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

Approved.

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Memorandum dated November 7, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York, called him on the telephone on the morning of that date and stated that the bank had a cable from the National Bank of Belgium offering to sell about \$2,257,000 of gold bars to the Federal reserve bank and that, in accordance with the Board's authorization contained in its telegram of November 2, 1934, to Governor Harrison, the bank will make advances on November 7 to the National Bank of Belgium, which advances will be participated with other Federal reserve banks. The memorandum recommended that the amount of such loans be shown in the Board's weekly condition statement of the Federal reserve banks against the caption "Foreign loans on gold", the caption heretofore used to designate such loans; and that, for the present, no comment regarding these loans be made in the text accompanying the weekly statement. The memorandum also submitted a draft of a telegram to the governors of all Federal reserve banks requesting them to show the amount of their participation in "Foreign loans on gold" against the code word TYPE in their Wednesday night (November 7), Form 34, telegram to the Board, and advising them that the amount of such loans should appear in the weekly condition statement following the item "Other securities". The recommendations and telegram were approved by three members of the Board on November 7, 1934.

Approved.

Telegram to the Federal reserve agents at all Federal reserve

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banks, reading as follows:

"Ruling No. 35 interpreting Regulation T. The Federal Reserve Board has been asked to rule on the following question arising under Regulation T. A customer maintaining with a broker a restricted account which is not a special account delivers certain registered, non-exempted securities to such broker with the request that he sell the securities and deliver the entire proceeds of the sale to the customer. May the broker comply with the customer's request? On the basis of the facts submitted, the Board rules that the broker may permit the withdrawal of the amount for which such securities are sold, if the delivery of such securities into the account, the sale of the securities, and the withdrawal of the funds from the account, all occur on the same day, so that the withdrawal of funds constitutes a part of a combination of transactions which does not result in a net withdrawal or an increase in the excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account in violation of section 4(d) of the regulation."

Approved.

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

"Ruling No. 36 interpreting Regulation T. The Federal Reserve Board has been asked whether under Regulation T a broker may pay to a customer from a restricted new account the proceeds of the sale of unregistered, non-exempted securities sold in such account. In reply the Board rules that, in the absence of other material facts, the broker may permit the withdrawal of any part of the proceeds of such sale, if the sale, the payment of the proceeds into the account, and the payment of the proceeds from the account, all occur on the same day so that the withdrawal of the proceeds constitutes a part of a combination of transactions which does not result in a net withdrawal or in an increase in the excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account in violation of section 4(d) of the Regulation."

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Governor Seay of the Federal Reserve Bank of Richmond, reading as follows:

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"Reference is made to your letter of November 3, 1934, with regard to a meeting to be held by your bank on Friday, November 9, 1934, with a number of bankers and others connected with banking associations and State banking commissions, for the purpose of discussing industrial loans.

"The suggestion contained in your letter that the Board be represented at the meeting is very much appreciated but, as you were advised by Mr. Hamlin over the telephone, it will not be possible for the Board to have a representative present.

"It is noted that you propose to have meetings at Baltimore and Charlotte for the purpose of discussing industrial loans, and that you are making arrangements with your representative to attend group bankers' meetings throughout the district. It is assumed that you will keep the Board advised of developments in this connection."

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Governor Seay of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of October 18, 1934, and to the previous correspondence with regard to the desire of the Security National Bank of Greensboro, North Carolina, to open a special account with the Federal Reserve Bank of Richmond in which funds of its trust department may be deposited and held awaiting investment. It is noted that the Federal Reserve Bank of Richmond is of the opinion that the receipt of such deposits from its member banks would not be desirable, both on account of the legal and practical questions involved as well as on principle.

"The Federal Reserve Board has given further consideration to this matter in the light of the view expressed in your letter. As indicated in its previous letter on this subject, it is doubtful whether the receipt of uninvested trust funds from member banks by Federal reserve banks falls within the purposes of the Federal Reserve Act, and since such a deposit in a Federal reserve bank could not be counted as a part of the depositing member bank's reserve balance and in view of the legal responsibilities which might be assumed by a Federal reserve bank in accepting such deposits, the Federal Reserve Board has concluded that it would not be advisable for Federal reserve banks to receive deposits of uninvested trust funds from member banks. It is suggested that you advise the Security National Bank of Greensboro, North Carolina, of the Board's view in this matter."

Approved.

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Letter to Mr. Bell, Cashier of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of November 5, the Board sees no objection to your permitting a representative of the Atlanta office of the Associated Press to witness and take pictures of such of the various operations in assorting, cutting, canceling and shipping to Washington currency unfit for circulation as your bank may see fit to authorize, with the understanding that no article relating thereto will be published until it has been submitted to and has received the approval of either the Governor or the Federal Reserve agent.

"We have been informally advised by the Treasury Department that it sees no objection to the above procedure."

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. Frank Healy, Chief, Government Contracts Branch, National Recovery Administration, reading as follows:

"This refers to your letter of October 1, 1934, and to Mr. Egleston's letter of October 3, 1934, addressed to the Board's General Counsel and Assistant Counsel, respectively.

"There were inclosed with Mr. Egleston's letter a letter from the office of the Comptroller of the Currency and a letter from the Acting Chief National Bank Examiner of the Seventh Federal Reserve District relating to a proposed supplemental agreement to be attached to a lease by the Federal Reserve Bank of Chicago to the Comptroller of the Currency of certain space in the building of the Federal Reserve Bank. As the Federal Reserve Board understands the matter, the question whether the Federal Reserve Bank of Chicago is an agency of the United States within the meaning of Executive Order No. 6646 of March 14, 1934, is not presented in this case because the Comptroller of the Currency would appear to be the 'agency of the United States' which is to award this lease and the Federal Reserve Bank will occupy the position of lessor and not of lessee. The Federal Reserve Bank of Chicago has advised the Board that, as indicated in the letter from the Acting Chief National Bank Examiner, its request for an interpretation of the proposed supplemental agreement was not prompted by any lack of desire on its part to cooperate fully with the National Recovery Administration but only by the practical consideration of the time and expense involved in complying with the broader interpretation of the proposed supplemental provisions. The question

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"what interpretation should be placed upon the provisions of the supplemental agreement is, of course, not a matter which falls within the jurisdiction of the Federal Reserve Board. However, inasmuch as the Board's Counsel has been requested to comment with respect to this matter, it seems appropriate to suggest that the purpose of the proposed supplemental agreement, as indicated by the words 'accept or purchase for or in connection with the performance of this lease or enter into any subcontracts for any articles, materials, or supplies', would appear to be fully accomplished by an interpretation that the agreement applies only to articles, materials, or supplies which may be furnished to the Federal Reserve Bank in connection with the performance of the lease in question.

"Your letter of October 1, 1934, requests an interpretation with regard to the question whether Federal reserve banks should be considered 'agencies of the United States' within the meaning of Executive Order No. 6646 of March 14, 1934, and whether they should be considered 'any agency or instrumentality of the United States' within the meaning of Executive Order No. 6767 of June 29, 1934. The Federal Reserve Board has not had occasion to express an opinion as to whether or not Federal reserve banks fall within the terms of the Executive Orders referred to and it is felt that any expression of opinion by the Board on the question, in accordance with its usual practice as to matters upon which its opinion is requested, should be based upon the circumstances of actual cases in which the determination of the question presented is material. It may be said, however, that inasmuch as all of the stock of the Federal reserve banks is owned by their respective member banks and since six of the nine directors of each Federal reserve bank are elected by the stockholding member banks, it appears very doubtful whether the Federal reserve banks are properly to be regarded as agencies or instrumentalities of the United States within the meaning of Executive Orders Nos. 6646 and 6767. However, it is understood from informal conversations between representatives of the Board and the National Recovery Administration that you are not advised of any case which depends upon the question whether Federal reserve banks fall within the provisions of the Executive Orders mentioned. If such a case should arise, the Federal Reserve Board will be glad to cooperate with respect to the matter, if desired, either by communicating with the Federal reserve bank involved in an effort to solve the problem satisfactorily, or by such other steps as may seem appropriate in the circumstances."

Approved.

Telegram to Mr. Stevens, Chairman of the Federal Reserve

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Bank of Chicago, reading as follows:

"Your letter November five Board feels that matter relative to Havana agency should be considered by board of directors."

Approved.

Letter to Mr. Frank R. Merhoff, Vice President of the First National Bank, Louisville, Kentucky, reading as follows:

"Receipt is acknowledged of your letter of November 3, 1934, regarding the right of your bank to accept a certificate of deposit as collateral on a note given by the holder of the certificate for the full amount thereof, payable on the maturity date of such certificate.

"The Federal Reserve Board's Regulation Q provides, in footnote 7 thereto, that the making of a loan to the owner of a time deposit by a member bank for the purpose of evading the prohibition upon the payment of a time deposit before its maturity will, to the extent of such loan, be deemed to be a payment of such deposit in violation of this prohibition. The question whether a loan made by a member bank to the owner of a time deposit constitutes a violation of the prohibition depends upon whether the loan is made in good faith or for the purpose of evading such prohibition. The Board feels that such a question should be considered by a member bank at the time such transaction is proposed and be determined by such bank in the exercise of its best judgment and in the light of the provisions of the law and the Board's regulation. However, in view of your inquiry on this subject, it may be said that the making of the proposed loan in the circumstances stated in your letter would probably involve an evasion of the prohibition upon the payment of a time deposit before its maturity. Moreover, as indicated in the regulation, if the circumstances in respect to any such transaction are such as to raise a question as to whether it constitutes the payment of a time deposit by a member bank before its maturity in violation of the law and the regulation, the bank must be prepared to show clearly that such transaction is not in contravention of the provision of law in question.

"The stamped envelope inclosed with your letter is returned herewith."

Approved.

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

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"Reference is made to your letter of October 9, 1934, regarding the scope of the examinations to be made in connection with the required certifications to the Federal Deposit Insurance Corporation.

"It is understood that in all cases you plan that the examinations, whether made independently or in conjunction with State banking authorities, will be thorough examinations as contemplated in Section 12B of the Federal Reserve Act. It is understood, also, that, in an examination made concurrently with the State banking authorities, the participation of the examiners for the Federal reserve bank will include a thorough examination with respect to credits and loan policies, the appraisal of investments and other assets, and the development of information regarding the management and general administrative policies, but that, in order to avoid duplication, your examiners may accept proofs and verification of accounts made by the State examiners. The report of an examination made concurrently with the State banking authorities representing an appraisal of the bank's assets made by examiners for the Federal reserve bank with the other information in the report developed by them or by examiners for the State may properly be used as a basis for the required certification to the Federal Deposit Insurance Corporation. If, in any case, however, you are of the opinion that such a concurrent examination will not result in a thorough examination of the bank, examiners for the Federal reserve bank should make a thorough independent examination as a basis for certification to the Federal Deposit Insurance Corporation.

"Your letter also outlined a proposed procedure for examinations in cases where, because of the size and number of the branches, it is impossible with the available forces of State examiners and examiners for the Federal reserve bank, to make a simultaneous examination of the head office and branches. It is understood that in such examinations the examiners for the reserve bank will participate only in the examination of the head office and some of the larger branches and that the remaining branches will be examined by State examiners whose reports will be consolidated into the report of examination of the bank and its branches which is submitted to the Federal Reserve Board. In all such cases, however, you advise that before including the data obtained from the State examiners who examined the branches, you will satisfy yourself as to the competency of the examiner and the thoroughness of the examination of the branch. In the circumstances, it is believed that the report of an examination so conducted may be considered a thorough examination and used as a basis for certification to the Federal Deposit Insurance Corporation."

Approved.

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Letter dated November 6, 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 originals and copies of Clayton Act permits issued by the Board to Mr. G. van Steenwyk, La Crosse, Wisconsin, to serve at the same time as director and officer of The Batavian National Bank of La Crosse and as director and officer of the La Crosse Trust Company, both of La Crosse, Wisconsin, and to Mr. Carl F. Michel, La Crosse, Wisconsin, to serve at the same time as director of The National Bank of La Crosse and as director of the La Crosse Trust Company, both of La Crosse, Wisconsin, for transmittal by you to Messrs. van Steenwyk and Michel and the banks involved, and copies for your files.

"In considering these applications, it was noted that the relationships of the applicants to the La Crosse Trust Company might be subject to the provisions of Section 32 of the Banking Act of 1933 and, accordingly, Mr. van Steenwyk submitted an application for a Section 32 permit. Consideration has been given to this application by the Board. In this connection, it appears that the principal business of the trust company is as trustee for estates; that during the past four years, it has executed in the open market orders for the purchase and sale of securities on behalf of its customers but has not participated in any underwriting syndicates, although it had participated in a few such syndicates in previous years; that it has never issued debentures against pools of mortgages, although it has made loans secured by real estate and sold the notes signed by the original borrower to its customers; and that about half of one man's time is devoted to the whole of its securities business, the remainder of his time and all of the time of the other five employees being occupied with its trust business. In view of this information, it appears, as stated by you in answer to Question 7, Form 99d, that the La Crosse Trust Company is not engaged primarily in the business of purchasing, selling, or negotiating securities and, therefore, that the provisions of that section are not applicable to the relationship in question. It is requested that you advise Messrs. van Steenwyk and Michel accordingly.

"In connection with Mr. Michel's service as president and treasurer of the La Crosse Breweries Inc., La Crosse, Wisconsin, it was reported that the company accepts stock or bond collateral occasionally to prevent or mitigate a loss on loans theretofore made. It is the view of the Federal Reserve Board that a corporation which does not make any loans which are

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"secured by stock or bond collateral at the time of making and which accepts stock or bond collateral for loans only in isolated cases and in good faith where it becomes necessary, by reason of circumstances arising after the loan is made, in order to prevent or mitigate a loss upon a loan previously made, does not fall within the provisions of Section 8A of the Clayton Act and, accordingly, that the provisions of this section are not applicable to Mr. Michel's service as president and treasurer of the La Crosse Breweries Inc. It is suggested that, when transmitting the permit to Mr. Michel, you inform him to this effect but request that information be furnished to the Federal Reserve Bank in any case in which stock or bond collateral may be tendered to strengthen a preexisting loan. If at any time you feel, as a result of such information, that the number or amount of loans for which stock or bond collateral is accepted after the making thereof is unduly large, it will be appreciated if you will bring the matter to the attention of the Federal Reserve Board.

"Please advise the Board of your disposition of these matters."

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permits for transmittal to the applicants; suggesting that the agent advise the applicants that it is with the expectation that they will satisfactorily attend directors' meetings that the permits have been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permits, he report fully as to the attendance of the applicants at directors' meetings:

Mr. Ed Franklin, for permission to serve at the same time as a director and officer of the First City National Bank of Floresville, Floresville, Texas, and as a director of The First National Bank of Poth, Poth, Texas.

Mr. E. L. Whitsett, for permission to serve at the same time as a director and officer of the First City National Bank of

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Floresville, Floresville, Texas, and as a director and officer of The First National Bank of Poth, Poth, Texas.

Approved.

Letter dated November 7, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. S. V. Houston, Floresville, Texas, to serve at the same time as director and officer of First City National Bank of Floresville, Floresville, Texas, and as director and officer of First National Bank in Pleasanton, Pleasanton, Texas for transmittal by you to Mr. Houston and the two banks and a copy for your files.

"In addition to the two banks mentioned above, Mr. Houston made application to serve as director of Wilson State Bank, Wilson, Texas. However, in view of the fact that this bank apparently does not make loans secured by stocks and bonds and the statement contained in your letter of September 19, 1934, that it was unnecessary to include this bank in Mr. Houston's application, the permit has been issued to cover Mr. Houston's services only with the two national banks. It is suggested that you inform Mr. Houston of the provisions of Section 8A of the Clayton Act and advise him that if the Wilson State Bank should in the future, while he is connected with it, make loans secured by stock or bond collateral, his services at the same time with the two national banks covered by this permit would be illegal unless there were in force a permit authorizing his services with the Wilson State Bank and the national banks.

"In the consideration of Mr. Houston's application, it was noted from the report of examination of First National Bank of Floresville as at March 12, 1934, that loans to his sons and to firms in which one of them is interested were variously criticized as slow, doubtful and/or loss, and that portions of these loans, apparently aggregating approximately \$7,600, were eliminated incident to the recapitalization of the bank subsequent to its examination as of March 12, 1934. It was also noted that the report of examination of the Floresville bank contained general criticisms of large and continuous loans to officers, directors and employees of the bank and their enterprises.

"It was further noted that although Mr. Houston attended 8 of the 11 meetings held by the directors of the Floresville

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"bank in a twelve months' period during 1932-1933, he attended none of the 13 meetings held during the succeeding twelve months; and in the report of examination of the Floresville bank as of March 12, 1934, attention was called to the applicant's nonattendance at directors' meetings. Although the cashier of the bank had informed the Deputy Comptroller of the Currency that Mr. Houston had been ill for about a year, it was noted from the report of examination of First National Bank in Pleasanton as of March 1, 1934, that Mr. Houston had attended 3 of 6 meetings held by directors of that bank apparently in the period during which he had attended none of the directors' meetings of the Floresville bank.

"In granting the permit, the Board took into consideration the fact that the applicant has been connected with the two national banks and their predecessors for many years, that his personal loans were not criticized in the reports of examination of these banks, that he owns the major portion of the stock of First National Bank in Pleasanton and he and his family own a substantial portion of the stock of First City National Bank of Floresville, and that the recapitalization plans of the two banks, incident to which the loans to his sons and firms in which one of them is interested were eliminated, did not involve a waiver by depositors.

"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, and when transmitting the permit to Mr. Houston it is requested that you inform him of the Board's position in the matter. The Board also requests that you endeavor, in cooperation with the District Chief National Bank Examiner, to bring about a correction of those matters which have been criticized by the examiner.

"The Board further requests that when you submit your recommendation as a result of your annual review of this permit, you report fully as to the nature and extent of the use of the credit facilities of these banks by the applicant, his family and their interests, and as to the applicant's attendance at the directors' meetings of both institutions."

Approved.

Letter dated November 7, 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. John W. Reese, for permission to serve at the same time as

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a director of the First City National Bank of Floresville, Floresville, Texas, and as a director and officer of the First National Bank in Pleasanton, Pleasanton, Texas.

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. John Taber, for permission to serve at the same time as a director of The First National Bank of Moravia, Moravia, New York, and as a director and officer of the Auburn Trust Company, Auburn, New York.

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. 12.</u>		
First National Bank in Madera, Madera, California	36	36
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 2.</u>		
The Evans National Bank of Angola, Angola, New York	24	
The First National Bank of Ardsley, Ardsley, New York	21	
The First National Bank of Candor, Candor, New York	3	
The Hayes National Bank of Clinton, Clinton, New York	47	
The Tinker National Bank of East Setauket, East Setauket, New York	2	
The West Hempstead National Bank, West Hempstead, New York	18	
The First National Bank of Inwood, Inwood, New York	15	
The National Bank of Lake Ronkonkoma, Lake Ronkonkoma, New York	10	
The First National Bank of Lindenhurst, Lindenhurst, New York	60	
The First National Bank of Middleburgh, Middleburgh, New York	42	

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 2. (Continued)</u>			
The First National Bank of Owego, Owego, New York	30		
The National Bank of Watervliet, Watervliet, New York	<u>48</u>		320
<u>District No. 3.</u>			
The First National Bank of Shickshinny, Shickshinny, Pennsylvania	30		
The Grange National Bank of McKean County at Smethport, Smethport, Pennsylvania	3		
The Wellsville National Bank, Wellsville, Pennsylvania	<u>3</u>		36
<u>District No. 4.</u>			
The Citizens National Bank of Chillicothe, Chillicothe, Ohio	30		
The Third National Bank and Trust Company of Dayton, Dayton, Ohio	156		
The Old Phoenix National Bank of Medina, Medina, Ohio	69		
The First National Bank of Norwood, Norwood, Ohio	90		
The Mahoning National Bank of Youngstown, Youngstown, Ohio	300		
The Ambridge National Bank, Ambridge, Pennsylvania	<u>16</u>		661
<u>District No. 6.</u>			
The First National Bank of Marietta, Marietta, Georgia	9		9
<u>District No. 7.</u>			
Monticello State Bank, Monticello, Iowa	48		
The First National Bank of Klemme, Klemme, Iowa	<u>6</u>		54
<u>District No. 9.</u>			
Daly Bank and Trust Company of Anaconda, Anaconda, Montana	225		
The First National Bank of Baudette, Baudette, Minnesota	6		
The Midway National Bank of St. Paul, St. Paul, Minnesota	60		
The Blue Earth Valley National Bank of Winnebago, Winnebago, Minnesota	<u>21</u>		312

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 10.</u>			
The First National Bank of Florence,		6	
Florence, Colorado			
The Marion National Bank,		3	9
Marion, Kansas			
		<u> </u>	<u> </u>
		Total	1,401
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 3.</u>			
The Tuckahoe National Bank,		26	26
Tuckahoe, New Jersey			
<u>District No. 7.</u>			
The First National Bank of Milroy,		33	33
Milroy, Indiana			
<u>District No. 8.</u>			
The Citizens National Bank of Hope,		72	72
Hope, Arkansas			
<u>District No. 10.</u>			
The Liberty National Bank of Oklahoma		294	294
City, Oklahoma City, Oklahoma			
		<u> </u>	<u> </u>
		Total	425

Approved.

Thereupon the meeting adjourned.

Chas. M. Murrell
Secretary.

Approved:

W. H. C. C. C.
Chairman, Executive Committee.