

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, November 13, 1934, at 4:30 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The Committee acted upon the following matters:

Memorandum dated November 9, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that Miss Beverly Mathews, who had been employed temporarily since June 16, 1934, as a stenographer in the division, with salary at the rate of \$4.50 a day, be appointed permanently as a stenographer in the division, with salary at the rate of \$1,500 per annum, subject to her passing a satisfactory physical examination, and that in the event she does not pass a satisfactory physical examination she be continued on a temporary basis until such time as her position can be conveniently filled by a permanent stenographer. The recommendation was approved by four members of the Board on November 12, 1934.

Approved.

Memorandum dated November 12, 1934, from Mr. Noell, Assistant Secretary, recommending that Miss Claire C. Atkins, who has been employed temporarily since July 2, 1934, as a stenographer in the Division of Examinations, with salary at the rate of \$4.50 a day, be transferred to the Secretary's office and appointed permanently as

11/13/34

-2-

a stenographer, with salary at the rate of \$1,500 per annum, effective November 16, 1934, subject to her passing a satisfactory physical examination. The recommendation was approved by four members of the Board on November 12, 1934.

Approved.

Memorandum dated November 8, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated November 5, 1934, from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, which requested approval of changes in the personnel classification plan of the bank to provide for the new positions of "chief clerk" in the service department, "clerk-bookkeeper" and "shipping clerk" in the Federal Farm Mortgage Corporation department, and "chief clerk" in the Public Works Administration 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 12, 1934.

Approved.

Letter dated November 12, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to the report of examination of December 26, 1933, of the 'Bank of Jamestown', Jamestown, New York, the supplemental information submitted in connection therewith, and the analysis of a report of examination made by the New York State Banking Department as of June 2, 1934.

"Although the capital position of the bank has been strengthened through the sale of \$1,300,000 capital debentures, of which the Reconstruction Finance Corporation purchased

11/13/34

-3-

"\$1,000,000, the analysis of the report of examination of June 2, 1934 reflects an unsatisfactory condition with an inadequate capital structure to support deposit liabilities. After deducting estimated losses and depreciation in securities amounting to \$1,148,000, and after allowance for assets amounting to \$468,000 classified as doubtful, the bank had a net sound capital of \$537,000 as compared with deposits of \$10,554,000. It has been observed you have recommended to the bank that an additional application be filed with the Reconstruction Finance Corporation for the sale of capital debentures in the amount of \$700,000. The Board concurs in the conclusion thus expressed that the present net sound capital is inadequate to support the deposit liability of the bank.

"In your letter of January 25, 1934, you stated that it appeared highly desirable that the capital structure at that time be strengthened by not less than \$2,000,000. On April 2, 1934 you reported that the officers of the bank, together with the Deputy Superintendent of the New York Banking Department had made strenuous efforts to have the capital structure of the bank strengthened by not less than that amount, but that after an extensive survey, the Reconstruction Finance Corporation had concluded \$1,000,000 was the maximum amount of debentures it would purchase, provided \$300,000 were purchased by local interests. The Board is not unmindful of the efforts which have been made by the bank and the supervising authorities to provide an adequate amount of sound capital, but the inability of the management to obtain a commitment of more than \$1,000,000 from the Reconstruction Finance Corporation at the time the bank's application was under consideration has not relieved it of the responsibility of maintaining an adequate ratio of sound capital to the bank's liabilities and of continuing its efforts to accomplish this result. The Board feels that the introduction of additional capital funds is highly desirable and that unless the parties at interest are able to provide such funds, application should be made to the Reconstruction Finance Corporation for the sale of an additional amount of debentures as you have suggested. It is hoped that your efforts to induce the bank to take further steps to strengthen its capital may yet be successful. Please keep the Board advised of developments in this connection, and also as to what action has been taken by the bank to provide for the elimination of estimated losses and depreciation in securities and to correct other criticized matters.

"In view of the fact that the last examination in which your examiner participated was made December 26, 1933, it is assumed that an early examination to be conducted by your examiners or participated in by them will be made, and it will be appreciated if you will advise the Board of your plans in

11/13/34

-4-

"this connection.

"Please forward, for the Board's files, copies of any amendments made to the bank's charter in connection with the recent adjustment of capital."

Approved.

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

"Your telegram November 8 re 'Cashmere Valley Bank', Cashmere, Washington. Section 9 of the Federal Reserve Act as amended provides that for the purposes of membership the term 'capital stock' shall include the amount of outstanding capital notes and debentures legally issued by the bank and purchased by the Reconstruction Finance Corporation. Accordingly the Board considers that the term capital stock as used in standard condition of membership numbered 10 regarding surplus includes capital notes and debentures as described above as well as capital stock of all classes."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Citizens National Bank of East Mauch Chunk', East Mauch Chunk, Pennsylvania, 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 local interests and that the released capital shall be used in eliminating or reducing unsatisfactory assets and/or in augmenting the bank's surplus or undivided profits accounts, all as set forth in Mr. Awalt's letter of November 1, 1934.

"In this connection, it is understood that the losses estimated at the last examination were charged off through a reduction of \$15,000 in the bank's surplus and, while Mr. Awalt's letter does not specify the eliminations to be required by your office, it is assumed that at least the amount of depreciation in securities in the lower grades will be charged off through the use of the released capital."

Approved.

11/13/34

-5-

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

"Ruling No. 37 interpreting Regulation T. The Federal Reserve Board has been asked whether under Regulation T the substitution of unregistered, non-exempted securities is permitted in a designated old account if such substitution is effected by the sale of such securities and the purchase of other such securities. In reply to this question, the Board rules that, if such substitution is made within a period of two successive business days and the proceeds of the securities sold equal or exceed the cost of the securities purchased so that the combination of transactions does not result in an increase in the adjusted debit balance of the account, it is permitted by the regulation, regardless of whether the sale occurs before or after the purchase; Provided, That, the broker must obtain payment for the securities sold before he pays for the securities purchased, unless the maximum loan value of the securities in the account exceeds the adjusted debit balance of the account by an amount not less than that to be paid for the securities purchased."

Approved.

Letter dated November 12, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the application of Earle T. Holsapple under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as officer and director of The Hartsdale National Bank, Hartsdale, New York, and as partner of Holsapple, Safford & Company.

"It is noted that you state (F.R.B. Form 99d, Item 7) that Holsapple, Safford & Company 'does a bond commission business' and 'never takes interest in syndicates for the flotation or underwriting of securities nor participates in such transactions'. The applicant describes the business of the firm as follows, (F.R.B. Form 99a, Item 2):

'Investment commission business, specializing in bonds. Firm does not handle margin accounts and neither participates in syndicates nor takes positions.'

The same statement is made by the firm (F.R.B. Form 99c, Item 1).

"Furthermore, in a letter attached to the application,

11/13/34

-6-

"the applicant states that the firm does not make loans secured by stock or bond collateral and does no margin business.

"On the basis of the above information it appears that the firm is acting exclusively as broker in the execution of orders for the purchase and sale of securities for the account of others, and that it is not engaged in underwriting, distributing or dealing in securities. Accordingly, in view of the Board's ruling, appearing at page 393 of the Federal Reserve Bulletin for June, 1934, it appears that the provisions of section 32 of the Banking Act of 1933 are not applicable to the relationship referred to in the first paragraph of this letter.

"Moreover, it appears that the provisions of section 8A of the Clayton Act are likewise not applicable, since the firm does not make loans secured by stock or bond collateral either in connection with the carrying of margin accounts or otherwise.

"It will be appreciated if you will advise Mr. Holsapple of the Board's views."

Approved.

Letter dated November 12, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board has reconsidered the application of Mr. J. H. Ward Hinkson, Chester, Pennsylvania, for permission under the provisions of the Clayton Act to serve at the same time as a director of The First National Bank of Chester, Chester-Cambridge Bank and Trust Company, Chester, and The Ridley Park National Bank, Ridley Park, all of Pennsylvania, and, upon the basis of the information before it, including that submitted with your letter of October 1, 1934, still feels that the granting of the permit applied for would be incompatible with the public interest, as indicated in its letter to you dated August 24, 1934. You are requested to advise the applicant accordingly.

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

Approved.

Letter dated November 12, 1934, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal

11/13/34

-7-

Reserve Bank of Philadelphia, 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. E. B. Mahaffey, for permission to serve at the same time as a director and officer of the North Camden Trust Company, Camden, New Jersey, and as a director of The Madera National Bank, Madera, Pennsylvania.

Approved.

Letter dated November 12, 1934, approved by four 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 31, 1934, advising that Mr. G. W. Ault, Kirkland, Illinois, has expressed a desire to furnish still further data in support of his Clayton Act application, and inquiring whether the Board desires you to inform Mr. Ault of its decision with regard to the application as stated in its letter to you of October 29.

"As you know, this application has been considered by the Board on three occasions and the Board has not felt that it would be compatible with the public interest to grant the permit. It is suggested, therefore, that you inform Mr. Ault of the Board's action and advise him that, while it will give consideration to any additional data which he may wish to submit, unless the new information is materially different from that which has been submitted heretofore, the Board will

11/13/34

-8-

"not be disposed to change its action with regard to the application.

"Please advise the Board of the action taken in this connection in order that its records may be complete."

Approved.

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

"Reference is made to the Clayton Act permit granted by the Board on May 19, 1934, to Mr. Frank J. B. DuChateau, Green Bay, Wisconsin, to serve at the same time as director of 'Kellogg-Citizens National Bank of Green Bay' and as director of West Side State Bank, both of Green Bay, Wisconsin, and to Assistant Federal Reserve Agent Young's letter of October 31, 1934, inclosing a copy of a letter dated October 30, 1934, from Mr. DuChateau.

"Mr. DuChateau advises that in January, 1934, he was elected vice president of West Side State Bank, Green Bay, Wisconsin, and now requests that he be granted permission to serve also as an officer of that bank.

"Since it appears from Assistant Federal Reserve Agent Young's statement in his letter of October 31, 1934, that your office knows of no change in the applicant's relationships with the banks involved which would make the granting of the request incompatible with the public interest the application has been approved.

"There are inclosed the original and copies of the permit granted to Mr. DuChateau covering his present services as director of Kellogg-Citizens National Bank of Green Bay and as director and officer of West Side State Bank, both of Green Bay, Wisconsin, for transmittal by you to the applicant and the banks involved and a copy for your files."

Approved.

Letters dated November 12, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. George H. Stewart, Jr., for permission to serve at the same time as a director and officer of The Valley National Bank of Chambersburg, Chambersburg, Pennsylvania, and as a director of the Harrisburg Trust Company, Harrisburg, Pennsylvania.

11/13/34

-9-

Mr. Harold S. Day, for permission to serve at the same time as a director and officer of The Florida National Bank at Bartow, Bartow, Florida, and as a director and officer of The Florida National Bank at Lakeland, Lakeland, Florida.

Mr. J. N. Greening, for permission to serve at the same time as a director and officer of The Florida National Bank at Lakeland, Lakeland, Florida, and as a director and officer of The Florida National Bank at Bartow, Bartow, Florida.

Mr. H. W. Enger, for permission to serve at the same time as an officer of The First National Bank in What Cheer, What Cheer, Iowa, and as a director and officer of the First State Bank of Claremont, Claremont, South Dakota.

Approved.

There was then presented the following application for a change in stock of a Federal reserve bank:

<u>Application for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
The Lenawee County Savings Bank,	62	62
Adrian, Michigan		

Approved.

Thereupon the meeting adjourned.

Approved:

Carsten M. Mowell
Secretary.

J. J. Thomas
Vice Governor.