

A meeting of the Federal Reserve Board was held in Washington on Friday, November 16, 1934, at 3:00 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Letter dated November 15, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated November 14, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, and November 15, 1934, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, all 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.

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

"The Federal Reserve Board has given consideration to the recommendation contained in Mr. Fletcher's letter of October 16, 1934 and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to the National Bank of America in Pittsburgh, Pa., effective with the first semi-monthly reserve computation period beginning after the date of this letter, to maintain a reserve with the Federal Reserve Bank of Cleveland equal to not less than 7 percent of the aggregate amount of its demand deposits and 3 percent of the aggregate amount of its time deposits. This approval is granted with the understanding that

11/16/34

-2-

"the recommendation contained in Mr. Fletcher's letter is that of the Board of Directors of your bank or of its Executive Committee.

"Please advise the National Bank of America in Pittsburgh, Pa., of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Federal Reserve Board at any time after appropriate notice to the member bank."

Approved unanimously.

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

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Marlboro', Marlboro, New York, from \$50,000 to \$25,000, pursuant to a plan which provides that the released capital shall be used to eliminate unsatisfactory assets, and that all estimated losses and depreciation in lower grade securities not eliminated by application of the released capital shall also be charged off, all as set forth in Mr. Awalt's memorandum of November 10, 1934."

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 First National Bank of Mondovi', Mondovi, Wisconsin, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of November 7, 1934."

Approved.

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

"The analysis of the report of examination of the 'Bank of

11/16/34

-3-

"Alpena", Alpena, South Dakota, as of August 22, 1934, made by State bank examiners, and copies of the correspondence from the Superintendent of Banks, indicate that in connection with the issuance of \$15,000 capital debentures to the Reconstruction Finance Corporation the bank agreed to reduce its common capital stock from \$25,000 to \$15,000, and that the State Superintendent of Banks has requested that the bank take steps to conform with the agreement.

"It appears from the information submitted that the entire amount of the proceeds of the reduction in the common capital stock is to be used to eliminate unsatisfactory assets and that such reduction will result in a material improvement in the bank's condition. It is noted, however, that, although the amount of capital stock of the Bank of Alpena after the proposed reduction would be in excess of the minimum capital required for admission of the bank to membership in the Federal Reserve System in a place the size of Alpena, the amount of the capital of such bank would be, nevertheless, insufficient for the organization of a national bank in Alpena. In this connection, the Board has heretofore ruled that a member State bank may not, while remaining a member of the Federal Reserve System, reduce its capital below the amount required for the organization of a national bank in the place in which the State bank is located. However, in view of the fact that the proposed reduction in common capital was made a part of an agreement under which the bank issued \$15,000 of capital debentures to the Reconstruction Finance Corporation on August 21, 1934, and since the capital of the bank will be greater in the amount of \$5,000 than its capital prior to such date, the Board feels that the purposes of the law will have been substantially complied with. In this connection see Board's telegram of June 23, 1934 (X-7933).

"The conditions of membership accepted by the bank provide that it shall not reduce its capital stock except with the permission of the Federal Reserve Board. In view of all the circumstances and your opinion that the proposed reduction is desirable, the Board approves the reduction in common capital stock from \$25,000 to \$15,000 provided that the released capital shall be used to eliminate a corresponding amount of estimated losses and other unsatisfactory assets which shall, however, remain the property of the bank, that the transaction is approved by the Superintendent of Banks of the State of South Dakota, and that your counsel is satisfied as to the legality of the proceedings in connection therewith.

"It will be appreciated if you will forward copies of any amendments to the bank's charter which were adopted in connection with the capital adjustments."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal

11/16/34

-4-

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 Bison", Bison, South Dakota, and the "First National Bank in Lemmon", Lemmon, South Dakota, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"To act at any time prior to December 31, 1934, upon a proposal or proposals to authorize or ratify the assumption of the deposit liabilities of The First National Bank of Bison by First National Bank in Lemmon and the sale of certain assets of The First National Bank of Bison to First National Bank in Lemmon, and to place The First National Bank of Bison in voluntary liquidation, all in substantial conformity with the plan outlined in the letter dated November 9, 1934, from the Applicant to the Federal Reserve Agent at Minneapolis."

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.

Memorandum dated November 9, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that on November 7, the date of the last weekly condition statement of Federal reserve banks, industrial advances made by the Federal reserve banks, \$6,617,000, exceeded the banks' holdings of bills bought in the open market, and were only about \$4,000,000 less than total bills discounted; that, in the circumstances, it seems desirable to show the amount of industrial ad-

11/16/34

-5-

vances made by the Federal reserve banks in the statistical table appearing below the text on the first page of the statement; that to show the amount of such advances, however, without also showing the amount of the Federal reserve banks' commitments to make such advances, might give the wrong impression; and that, accordingly, it is recommended that the statistical statement at the bottom of the first page of the statement be revised to include the item of "Industrial advances (not including commitments)". The recommendation was approved by five members of the Board on November 15, 1934.

Approved.

Letter to Mr. Grayson, Auditor of the Federal Reserve Bank of Cleveland, reading as follows:

"I am pleased to acknowledge receipt of your letter of November 10, 1934, and the report of audit of the accounts of the Fiscal Agent of the Federal Reserve Board covering the period of June 12, to October 20, 1934, inclusive.

"It is noted that under the caption 'comments' on page 5 you suggest that the Fiscal Agent be given permission to make minor corrections in vouchers submitted by field men in order that prompt payment of the vouchers may be made to these men, and that when a voucher has been changed by the Fiscal Agent confirmation of the change should be gotten from the payee and kept on file for the auditor's information. It is assumed that the minor corrections to which you refer are corrections on account of errors in calculation, or what are commonly called clerical errors. This matter has been brought to the attention of the Board and the Board authorizes the Fiscal Agent to carry out your suggestion.

"Errors found in checking the records of prior service of employees of the Board who have applied for membership in the retirement system of the Federal reserve banks, referred to in your comments, have been reported to the system officials for correction.

"In your letter of August 10, 1934, you offered the suggestion that a separate account be set up on the books of the Richmond bank through which the building funds of the Federal Reserve Board would

11/16/34

-6-

"be handled. This suggestion has been given consideration and there is attached a copy of a memorandum addressed to the Board under date of October 17, 1934, in this connection, together with a copy of a letter dated November 2, 1934, to Mr. W. W. Hoxton, Chairman of the Federal Reserve Bank of Richmond, requesting that two building accounts be opened on the books of the bank. Mr. Hoxton has replied that the procedure suggested in the Board's letter is satisfactory to the bank and will be followed by it."

Approved.

Letter dated November 15, 1934, approved by five members of the Board, to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"I have your letter of November 9, 1934, in regard to topics for consideration at the next meeting of the Federal Advisory Council and am bringing it to the attention of the members of the Board.

"For your information I may say that your letter of October 17, 1934, was brought to the attention of the members of the Board for their consideration."

Approved.

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

"Receipt is acknowledged of your letter of November 8, 1934, inclosing a copy of a letter received by you from Mr. W. R. Cobb, Vice President of the Citizens Union National Bank, Louisville, Kentucky, with regard to industrial loans.

"The Board is pleased to learn of the constructive manner in which the national bank is handling this matter, and it is suggested that, unless you see some objection, Mr. Cobb's letter be brought to the attention of the other Federal reserve banks."

Approved.

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

"Receipt is acknowledged of your letter of November 3, 1934,

11/16/34

-7-

"and inclosures relating to the applications of Mr. George Samuel Neal and Mr. A. J. Mathews under the provisions of section 32 of the Banking Act of 1933 for permits to serve as officers and/or directors of the Bank of Russellville and of Mathews Investment Company, Inc., both of Russellville, Arkansas.

"It appears from the letter of the company and the letter of the attorney for the company, which you inclosed, that the company does not engage in the underwriting, flotation or distribution of securities; that, although it occasionally sells original mortgage notes acquired by it, it does not sell participations in such notes or mortgages; and that it has discontinued dealing in securities of any kind and has requested the cancelation of its permit, which is required under the laws of the State of Arkansas.

"In the light of the information previously submitted, it therefore appears that the company is now engaged chiefly in writing insurance, conducting a title abstract business, and, to a lesser extent, in making loans upon real property. It appears that, in the past, it purchased a considerable amount of stock as investments but that it has disposed of a large portion of such holdings.

"Accordingly, on the basis of the information submitted, it appears that Mathews Investment Company, Inc. is not 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the intendment of section 32, and that permits covering the relationships referred to in the first paragraph of this letter are therefore not necessary. It will be appreciated if you will advise Mr. Neal and Mr. Mathews accordingly."

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, 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:

11/16/34

-8-

Mr. George P. Sacks, for permission to serve at the same time as a director and officer of the Bank of Bethesda, Bethesda, Maryland, and as a director of The National Bank of Washington, Washington, D. C.

Approved.

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

Mr. Morris E. Marlow, for permission to serve at the same time as a director of the East Washington Savings Bank, Washington, D. C., and as a director of The National Bank of Washington, Washington, D. C.

Approved.

Thereupon the meeting adjourned.

Robert Howell
Secretary.

Approved:

J. J. [Signature]
Vice Governor.