A meeting of the Federal Reserve Board was held in Washington on Tuesday, December 11, 1934, at 4:30 p.m.

PRESENT: Mr. Eccles, Governor  
Mr. Thomas, Vice Governor  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Telegram dated December 10, 1934, from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated December 10, 1934, from Mr. Morrill, Secretary, stating that, at the request of Governor Eccles, the possibility of finding additional space in the Washington Building for the accommodation of Mr. Daiger, Special Assistant to the Board, and a stenographer has been taken up with the building management; that there is no space available on any floor above the third floor but that there is a room on the "G" Street side, room 340, which contains a floor area of 516 square feet which can be obtained at a cost of $2.29 a square foot, beginning January 1, 1935, under the same terms as are contained in the leases
covering the space now occupied by the Board in the Washington Building, with an agreement that, should there be at any time a corresponding amount of space released on the sixth floor, the Board will have a first option on it. The memorandum stated that it is further understood that a partition will be installed and certain incidental adjustments will be made at the expense of the Washington Building, and that, while it is understood that Mr. Daiger's employment may be temporary, being subject to the pleasure of the Governor, the increasing demands for space are such that in case his appointment should be terminated at any time there seems to be no doubt that good use can be made of the additional space since the Board has no surplus space at present.

The Board authorized the Governor to execute a supplemental lease covering the space referred to at the cost stated.

Letter dated December 10, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of Mr. Fry's letter of December 4, 1934, transmitting a report of examination of the 'Farmers and Merchants Bank of Summersville', Summersville, West Virginia, as of October 3, 1934, with certain supplemental information and requesting the Board to permit the bank to use a portion of its special reserve of $33,000 to eliminate estimated losses classified by the examiner aggregating $25,750. The special reserve referred to was established in accordance with condition of membership numbered 19, which reads in part as follows: '...... likewise prior to admission to membership, such bank shall establish a special reserve of not less than $33,000 for the purpose of removing any losses which may develop in loans classified as doubtful in the report of"
'examination above referred to, and such reserve shall be used for no other purpose except with the permission of the Federal Reserve Board.'

"Loans classified as doubtful in the report of examination as of August 28, 1933, the examination referred to in the condition of membership, amounted to $40,400, and Mr. Fry has advised that the status of such loans on October 8, 1934, was as follows:

Previously collected $800
Previously charged off out of surplus 2,600
and/or undivided profits 15,900
Considered bankable paper
Classified in report of examination as:
Doubtful 11,600
Loss 9,300

$40,400

"In view of the change in the status of the loans for which the special reserve was originally provided, and in accordance with the recommendation of Mr. Fry, the Board will permit the use of a sufficient amount of the special reserve to eliminate the estimated losses as shown in the report of examination as of October 8, 1934.

"It has been noted that in the report of examination of the bank as of October 8, 1934, as well as in the report of examination as of May 21, 1934, your examiner reported that adequate credit data was not maintained. It is assumed, therefore, that you will call the attention of the bank to the necessity of maintaining such data not only in order to comply with the condition of membership numbered 5 but also in order that credit may be intelligently extended and the interests of the bank protected."

Approved.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, stating that the Board has given consideration to the application of "Trustees Under Agreement Dated January 31, 1919, as Amended July 30, 1920, and January 26, 1923, with Reference to Stocks in The Citizens Union National Bank of Louisville and Fidelity and Columbia Trust Company, both of Louisville, Kentucky", for a voting permit under the authority of section 6144 of the Revised Statutes of the United States, as amended,
entitling such organization to vote the stock which it owns or controls in "The Citizens Union National Bank of Louisville", Louisville, Kentucky, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the applicant, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.
Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "Merced Securities Corporation", Merced, California, 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 in Merced", Merced, California, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters
"of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the assistant agent to have prepared by counsel for the Federal reserve bank, and to issue to the Merced Securities Corporation, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "San Diego First National Company", San Diego, California, 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 Trust and Savings Bank of San Diego", San Diego, California, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by
"(b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the assistant agent to have prepared by counsel for the Federal reserve bank, and to issue to the San Diego First National Company, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "Tustin Investment Company", Tustin, California, 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 Tustin", Tustin, California, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:
"Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive Committee of the Federal reserve bank shall approve the issuance of such permit."

and for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the assistant agent to have prepared by counsel for the Federal reserve bank, and to issue to the Tustin Investment Company, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with, and stated that it appears that additional information may be necessary before an opinion can be expressed in connection with the last paragraph of Mr. Sargent's letter of October 16, 1934, transmitting the voting permit application of the Tustin Investment..."
Company, and this will be discussed in a subsequent communication at the earliest practicable date.

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "Vollmer Security Company", Lewiston, Idaho, 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 Lewiston", Lewiston, Idaho, and "The First National Bank of Grangeville", Grangeville, Idaho, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of the limited voting permit authorized herein,

"(1) the Federal Reserve Agent shall satisfy himself that each of the subsidiary banks of the applicant has charged off or otherwise eliminated, (a) all losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities and (d) all other losses; as shown by the latest available reports of examinations by the appropriate supervisory authorities, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current appraisals of marketable securities satisfactory to the Federal Reserve Agent;

"(2) the Federal Reserve Agent shall satisfy himself that the applicant has substantially performed any agreement or agreements heretofore executed by it as a condition to the issuance of a limited voting permit by the Federal Reserve Board;

"(3) the Federal Reserve Agent and the Executive
"Committee of the Federal reserve bank shall approve the issuance of such permit.

"(2) Prior to the issuance of the limited voting permit authorized herein, applicant shall deliver to you, in accordance with requirements of Board's Regulation P, Exhibit L (F.R.B. Form P-3) and Exhibit N (F.R.B. Form P-4) covering Bank of Vollmer, Vollmer Clearwater Company, Erb Hardware Company, and any other organization with which applicant or any of its subsidiaries is affiliated but which was not covered by such exhibits filed with the application, all of which additional exhibits shall be in form satisfactory to Counsel for the Federal Reserve Bank of San Francisco, and applicant shall deliver to you further information regarding such additional affiliated organizations as required by Exhibits D, G, and H of the application."

and for the following purposes:

"(1) To elect directors of such banks at the annual meetings of shareholders, or at any adjournments thereof, at any time prior to April 1, 1935, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

"(2) At any time prior to April 1, 1935, to authorize and/or ratify a reduction and retirement of preferred capital stock of The First National Bank of Lewiston, Lewiston, Idaho, in the amount of $25,000, and an increase in the common capital stock of said bank in the same amount, and to make any amendments to the articles of association of said bank necessary to give effect to such change in capitalization, provided that such change in capitalization shall have been approved by the appropriate supervisory authorities."

The telegram stated also that the issuance of a limited voting permit to authorize the issuance of preferred stock by The First National Bank of Grangeville will be considered if and when definite plans are formulated and the issuance of a limited voting permit to authorize the reduction of the common stock of such bank will be considered in connection with an application for a reduction of the capital stock when such application is received by the Board; that, for Mr. Sargent's information, condition (2) referred
to above with respect to Vollmer Clearwater Company and the Erb Hardware Company was based on a statement on page (A) of the confidential section of the examination report of The First National Bank of Lewiston as of October 1, 1934; and that the Bank of Vollmer was included because information in the application was insufficient to show its present corporate status. The telegram authorized the assistant agent to have prepared by counsel for the Federal reserve bank, and to issue to the Vollmer Security Company, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Letter dated December 10, 1934, approved by four members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to Assistant Federal Reserve Agent McRae's letter of October 8, 1934, inclosing a copy of a letter dated October 6, 1934, from Mr. Bernard W. Trafford, Boston, Massachusetts, requesting permission to serve as a director of French American Banking Corporation, New York, New York, in addition to his services as director and officer of The First National Bank of Boston, Boston, Massachusetts, and as director and officer of First of Boston International Corporation, New York, New York, for which latter services a Clayton Act permit was issued by the Board to the applicant on September 27, 1934. There are inclosed the original and copies of the Clayton Act permit, as amended, issued by the Board to Mr. Trafford, for transmittal by you to him and the banks involved, and a copy for your files.

"The file in this case shows that Mr. Trafford served French American Banking Corporation as a director from January, 1930, until January, 1934; that he was not elected a director at the January, 1934, annual meeting; and that, to fill a vacancy, he was again elected a director of the corporation on September 16, 1934. He was reported to have attended none
"of the fifty-three meetings held by the directors of French American Banking Corporation during 1932 and 1933. As in the case of Mr. Philip Stockton, it appears that Mr. Trafford’s failure to attend such meetings was due largely to the fact that The First National Bank of Boston has another representative on the board of French American Banking Corporation, Mr. Daniel A. de Lenocal, who resides in New York and who regularly attends directors’ meetings. "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 through attendance at directors' meetings, and it is requested that you advise Mr. Trafford that it is with the expectation that he will satisfactorily attend directors' meetings of all of the banks which he is serving that the permit has been granted. "A copy of this letter and a copy of the permit are being sent to the Federal Reserve Agent at the Federal Reserve Bank of New York with the request that, when he submits his recommendation as a result of his annual review of this permit, he report fully as to Mr. Trafford's attendance at directors' meetings of French American Banking Corporation."

Approved.

Letter dated December 10, 1934, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, inclosing the following Clayton Act permit for transmittal to the applicant; suggesting that the agent advise the applicant that the permit has been granted with the expectation that, as indicated in his letter of November 7, 1934, to Acting Assistant Federal Reserve Agent Fenner, he will improve his attendance at directors' meetings; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings and as to whether, in the agent's opinion, he has discharged his duties and responsibilities as a
Mr. Edwin W. Harrison, for permission to serve at the same time as a director and officer of The Tradesmen's National Bank of Conshohocken, Conshohocken, Pennsylvania, and as a director of the Montgomery Trust Company, Norristown, Pennsylvania.

Approved.

Letter dated December 10, 1934, approved by four members of the Board, to Mr. Fletcher, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. John Haussermann, Manila, P. I., to serve at the same time as director of the Peoples Bank and Trust Company, Manila, P. I., and as director and officer of The New Richmond National Bank, New Richmond, Ohio, for transmittal by you to Mr. Haussermann and the two banks and a copy for your files.

"In considering the application of Mr. Haussermann, it was noted that while his attendance at directors' meetings of Peoples Bank and Trust Company of Manila has been satisfactory, The New Richmond National Bank reports that he has not attended directors' meetings during the past two years although the reports of examination of that bank indicate that from January 28 to October 3, 1932, he attended three of the ten meetings held. In view of the applicant's residence in Manila it appears that his attendance in the future at directors' meetings of the New Richmond bank will not be regular. Although the Board feels that a director should have a satisfactory record of discharging his duties and responsibilities by participating in the determination of the policies of a bank which he is serving, including attendance at directors' meetings, it has granted the permit in this case in view of the apparent satisfactory condition and management of The New Richmond National Bank, Mr. Haussermann's long service with that institution, his interest in its welfare and his demonstrated willingness to support and strengthen it."

Approved.

There was then presented the following application for a change in stock of a Federal reserve bank:
Application for ORIGINAL Stock:
District No. 7.
Shawano National Bank,
Shawano, Wisconsin

Shares

Approved.

Thereupon the meeting adjourned.

Approved:

Secretary:

Governor: