

A meeting of the Federal Reserve Board was held in Washington on Wednesday, December 12, 1934, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Director of the
Division of Research and Statistics
Mr. Wyatt, General Counsel
Mr. Vest, Assistant Counsel
Mr. Wingfield, Assistant Counsel

Governor Eccles read a letter addressed to him under date of December 7, 1934, by Mr. L. B. Williams, expressing appreciation of the Board's letter of November 28, 1934, in which Mr. Williams was advised of acceptance of his resignation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Cleveland.

Governor Eccles referred to the list furnished him by the Secretary's office of items which had been pending in the hands of members of the Board or before the Board for more than a week without final action having been taken thereon. He stated that Vice Governor Thomas had requested an opportunity to confer with him regarding a number of the matters which had been charged to him (Mr. Thomas), and that as he had not been able to arrange such a conference prior to this meeting, he felt that the discussion of these matters should be deferred until a later date.

Reference was then made to the charges against Governor

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Calkins of the Federal Reserve Bank of San Francisco by Mr. A. P. Giannini, Chairman of the Bank of America National Trust and Savings Association, San Francisco, California, in support of his suggestion that Governor Calkins be removed from office, which matter had been under consideration by the Committee on District No. 12, and Mr. Miller, as Chairman of the Committee, presented a report of the Committee, dated December 10, 1934, to which was attached an analysis by Mr. Vest, Assistant Counsel, of the charges made by Mr. Giannini. The last two paragraphs of the report read as follows:

"In view of the large number and the nature of the charges made and the fact that they are in many cases not supported by evidence in the record or only partially so supported, it is apparent that the most difficult phase of this matter will be the ascertainment of the facts with respect to the several charges. Accordingly, the Committee is giving consideration to the question what procedure is likely to prove most satisfactory in ascertaining the facts with regard to these charges, and particularly to the question whether it would be desirable to have formal charges and documentary evidence presented by Mr. Giannini with a reply by Governor Calkins and a formal hearing before the Federal Reserve Board or whether the facts should be determined in a somewhat more informal way, while the matter is still in the hands of the Board's Committee, through an investigation conducted in California by representatives of the Board in such manner as may appear most appropriate. Of course, a formal proceeding before the Federal Reserve Board would of necessity involve considerable publicity and notoriety which the Committee feels should be avoided if the matter can otherwise be handled in a satisfactory manner.

"The Committee has not reached a conclusion as to the procedure which should be followed in this matter and is not prepared to make a definite recommendation to the Board at this time. Accordingly, the Committee is rendering this as an interim report pending the completion of its consideration of the question what procedure in all the circumstances may be expected to prove the most satisfactory and desirable in ascertaining the facts with respect to the charges made."

In connection with the submission of the report, Mr. Miller

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stated that the Committee feels that, if the Board accepts the report and indicates in a general way approval of the position taken therein, the Committee, at an opportune time, could confer with Mr. Giannini and Governor Calkins, and perhaps the members of the board of directors of the Federal Reserve Bank of San Francisco, and possibly accomplish a great deal in that way toward a final solution of the matter.

At the conclusion of a discussion, upon motion by Mr. Thomas, the Committee's report was accepted and ordered circulated to the other members of the Board.

Governor Eccles referred to the action taken by the Executive Committee of the Board at the meeting on August 29, 1934, in requesting Mr. Thomas to investigate and report to the Board with regard to the payment by the Postal Savings System of interest on deposits in connection with which no notice of withdrawal was being required, and with regard to the effect thereof on banks which are members of the Federal Reserve System. Governor Eccles said that this matter came to his attention in the Treasury Department last summer; that he had discussed it with Under Secretary Coolidge; that upon investigation it was found that the Postal Savings System had not advised the postmasters of the requirements of section 11(c) of the Banking Act of 1933 with regard to notice by depositors of intention to withdraw postal savings deposits; and that such deposits were being withdrawn without notice, and interest was being paid thereon. He said that it was his understanding that an

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appropriate advice had since been sent out by the Postal Savings System and that, therefore, no further action need be taken by the Board in the matter.

Mr. Thomas presented a memorandum submitted to the Board by Mr. Boatwright, Assistant Counsel, under date of July 27, 1934, in connection with the request from the Bank of the Manhattan Company and the Manufacturers Trust Company, both of New York City, through the Federal Reserve Agent at the Federal Reserve Bank of New York, for a ruling on the question whether section 11(m) of the Federal Reserve Act limits the amount of capital and surplus of a State member bank which may be represented by loans secured by bonds of the United States Government. The memorandum expressed the opinion that, while the result is unfortunate and may prejudice the interest of certain State member banks, the language of section 11(m) is so clear and comprehensive that counsel is unable to escape the conclusion that it prohibits a State member bank from making a loan secured by Government bonds to any person in an amount exceeding 10% of the unimpaired capital and surplus of the bank.

In discussing the opinion, the memorandum stated that it is understood that the Comptroller of the Currency has taken the position that the provision of section 5200 of the Revised Statutes excepting from the general 10% limitation of that section loans secured by Government bonds is not repealed or affected in any way by the provisions of section 11(m), that the authority conferred upon national banks by the said exception is controlling, and that,

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as a result, at the present time a national bank is permitted to loan on the security of Government bonds any amount up to 25% of its unimpaired capital and surplus, and the Comptroller of the Currency is authorized to increase this limit, subject to the approval of the Secretary of the Treasury. The memorandum also referred to the fact that an amendment to section 11(m) which would have exempted loans secured by Government bonds from the 10% limitation of the section was incorporated in the so-called omnibus banking bill which failed of enactment at the last session of Congress, and suggested that, if the Board rules in accordance with the opinion referred to above, it recommend to the next session of Congress that such an amendment to section 11(m) be made.

During the ensuing discussion, it was agreed that no formal ruling should be made on the matter at this time but that an amendment to the law as suggested by counsel should be recommended to the next session of Congress, and, upon motion by Mr. James, counsel was requested to prepare a letter to the Federal Reserve Agent at New York setting forth the facts involved and advising him that an amendment to the law would be recommended.

Governor Eccles mentioned the question of the discontinuance of the Helena branch of the Federal Reserve Bank of Minneapolis which has been held on the docket without action since October 25, 1933, and he stated that he felt that the present is an inopportune time to give consideration to steps looking toward the discontinuance of a branch of a Federal reserve bank.

Mr. Hamlin moved that the matter be laid on the table.

Carried.

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Vice Governor Thomas called attention to letters received under date of December 5, 1934 by the individual members of the Board from Senator Elmer Thomas, transmitting in each case a copy of an open letter addressed by Senator Thomas to "senators, congressmen, governors, bankers, economists, editors, educators, ministers and leaders of public thought and action", and requesting the reaction and comments of the Board member on the inclosure.

Mr. James moved that the Secretary be requested to prepare and submit to the Board for approval a draft of a letter to Senator Thomas acknowledging receipt of his communications and expressing the belief that it would be inappropriate at this time for the members of the Board to enter into a discussion of the question presented.

Carried.

Governor Eccles referred to the consideration given at the meeting of the Board on November 28, 1934, to the question of reducing the maximum rate of interest prescribed in Regulation Q that may be paid by member banks on time and savings deposits. He stated that he had advised Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, that the Board was considering reducing the maximum rate prescribed in the regulation and that Mr. Crowley had stated that he was favorable to a simultaneous reduction by the Corporation of the maximum rate of interest that may be paid by insured nonmember banks on time and savings deposits held by them. Governor Eccles also said that nearly everyone concerned seems to feel a reduction by the Board in the maximum rate would be a

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constructive measure; that any opposition thereto is of minor importance; and that in his opinion the Board should take action promptly to take effect on February 1, 1935.

In this connection, Mr. Szymczak presented a memorandum dated December 4, 1934, from Mr. Vest, Assistant Counsel, copies of which had been furnished to the other members of the Board who were present at the meeting, and which submitted a draft of amendment to Regulation Q which would fix the maximum rate of interest which may be paid by member banks on time and savings deposits at $2\frac{1}{2}\%$ per annum, effective on a date to be fixed by the Board, but would permit member banks to pay interest in accordance with the terms of any contract lawfully entered into prior to, and in force on, a date to be fixed by the Board which the memorandum suggested should be approximately the date on which member banks are notified of the reduced maximum rate. The memorandum also submitted an alternative form of amendment to the regulation which would provide for the reduction in the maximum rate of interest on time and savings deposits to $2\frac{1}{2}\%$, and, in addition, would provide for (a) a change of the clauses of the regulation which now prohibit the payment of interest on time and savings deposits at a rate in excess of the maximum rate compounded semi-annually, so that they would prohibit the payment of interest on time and savings deposits at the maximum rate compounded quarterly, (b) the addition of a provision which would permit a member bank to pay interest on a time or

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savings deposit received during the first five days of any calendar month, at the maximum rate prescribed by the regulation, calculated from the first day of such calendar month until such time as the deposit no longer constitutes a time deposit under the provisions of the regulation, and (c) the inclusion of a provision permitting a member bank to pay interest on a time or savings deposit which is payable only at an office of such bank located outside of the States of the United States and of the District of Columbia at a rate not exceeding such maximum rate as the Board may prescribe from time to time for payment in the locality in which such office is located.

After discussion, upon motion by Mr. Szymczak, the following amended subsections (c) of Sections III and V of Regulation Q were adopted unanimously, to take effect on February 1, 1935, subject to action being taken by the Federal Deposit Insurance Corporation making a reduction to $2\frac{1}{2}\%$ in the maximum rate of interest that may be paid by insured non-member banks on time and savings deposits; and, in the event such action is taken by the Federal Deposit Insurance Corporation, the Governor was authorized to notify the Federal reserve banks and to issue simultaneously with the announcement of the action of the Federal Deposit Insurance Corporation an appropriate press statement on a date to be fixed by him after consultation with the Chairman of the Federal Deposit Insurance Corporation.

The Governor was also authorized to fix the dates to be inserted in paragraphs numbered (2) in the amended subsections (c) of sections III and V of the regulation, which would be shortly after the date on which public announcement is made of the Board's action.

It was understood that, in the event the Board's action becomes effective and is made public, the Federal reserve banks would be requested to print the revised Regulation Q and distribute it to their member banks, and that an appropriate statement of

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the Board's action would be released and also included in the Federal Reserve Bulletin for December.

It was also understood further that in connection with the rates to be prescribed by the Board on time and savings deposits in foreign branches of American banks, such banks would be invited to submit requests to the Board that such rates be established:

"(c) Maximum rate of interest --

"(1) No member bank shall pay interest, accruing after January 31, 1935, on any time deposit or any part thereof at a rate in excess of $2\frac{1}{2}$ percent per annum, compounded quarterly,⁶ regardless of the basis upon which such interest may be computed, except as otherwise provided in this subsection.

"(2) A member bank may pay interest on time deposits in accordance with the terms of any certificate of deposit or other contract which was lawfully entered into in good faith prior to _____, 1935, and in force on that date and which may not legally be terminated or modified by such bank at its option or without liability; but no such certificate of deposit or other contract shall be renewed or extended unless it be modified to conform to the provisions of this regulation, and every member bank shall take such action as may be necessary, as soon as possible consistently with its contractual obligations, to bring all such certificates of deposit or other contracts into conformity with the provisions of this regulation.

"(3) The rate of interest paid by a member bank upon a time deposit shall not in any case exceed (i) the maximum rate prescribed in paragraph 1 of this subsection, or (ii) the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be less.

"(4) A member bank may pay interest on a time deposit received during the first five days of any calendar month at the maximum rate prescribed in paragraph 1 of this subsection calculated from the first day of such calendar month until such deposit is withdrawn or ceases

⁶This limitation is not to be interpreted as preventing the compounding of interest at other than quarterly intervals provided that the aggregate amount of such interest so compounded does not exceed the aggregate amount of interest at the rate above prescribed when compounded quarterly.

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"to constitute a time deposit under the provisions of this regulation, whichever shall first occur.

"(5) A member bank may pay interest on a time deposit which is payable only at an office of such bank located outside of the States of the United States and of the District of Columbia at a rate not exceeding the maximum rate prescribed in paragraph 1 of this subsection or such higher maximum rate as may be prescribed by the Federal Reserve Board from time to time for payment in the locality in which such office is located.

"(c) Maximum rate of interest --

"(1) No member bank shall pay interest, accruing after January 31, 1935, on any savings deposit or any part thereof at a rate in excess of $2\frac{1}{2}$ percent per annum, compounded quarterly,⁹ regardless of the basis upon which such interest may be computed, except as otherwise provided in this subsection.

"(2) A member bank may pay interest on savings deposits in accordance with the terms of any contract, which was lawfully entered into in good faith prior to 1935, and in force on that date and which may not legally be terminated or modified by such bank at its option or without liability; but no such contract shall be renewed or extended unless it be modified to conform to the provisions of this regulation, and every member bank shall take such action as shall be necessary, as soon as possible consistently with its contractual obligations, to bring all such contracts into conformity with the provisions of this regulation.

"(3) The rate of interest paid by a member bank upon a savings deposit shall not in any case exceed (i) the maximum rate prescribed in paragraph 1 of this subsection, or (ii) the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be less.

"(4) A member bank may pay interest on a savings deposit received during the first five days of any calendar month at the maximum rate prescribed in paragraph 1 of this subsection calculated from the first day of such calendar month until such deposit is withdrawn or ceases to constitute a savings deposit under the provisions of this regulation, whichever shall first occur.

⁹This limitation is not to be interpreted as preventing the compounding of interest at other than quarterly intervals provided that the aggregate amount of such interest so compounded does not exceed the aggregate amount of interest at the rate above prescribed when compounded quarterly.

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"(5) A member bank may pay interest on a savings deposit which is payable only at an office of such bank located outside of the States of the United States and of the District of Columbia at a rate not exceeding the maximum rate prescribed in paragraph 1 of this subsection or such higher maximum rate as may be prescribed by the Federal Reserve Board from time to time for payment in the locality in which such office is located."

In connection with the above matter, Mr. Morrill stated that Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, called him on the telephone yesterday and stated that the banking authorities of the State of Indiana, as a result of the telegram to Mr. Stevens which was approved at the meeting of the Board on December 5, 1934, had advised that they desired to reduce to $2\frac{1}{2}\%$ the maximum rate on time and savings deposits paid by member banks in that State simultaneously with action by the Board, and had requested that they be given confidential advice of the Board's action sufficiently in advance of public announcement so that they can arrange to make an announcement of their action at the time announcement is made by the Federal Reserve Board.

Upon motion by Mr. Szymczak, it was understood that the request of the banking authorities of the State of Indiana would be complied with.

Mr. Miller submitted a report which read in part as follows:

"The importance of adequate statistical information and economic analysis to serve as a basis of Federal Reserve policy has been increasingly recognized by the Board over the years. The Board's own Division of Research and Statistics has an annual budget of about \$150,000 and in addition a part of the \$120,000 budget of the Division of Bank Operations is also used in the collection of statistical information. In view of the increasing importance of this work, it

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"is contemplated that the Board's Division of Research and Statistics be strengthened and enlarged. The Division has been almost entirely absorbed by current work and has not had an opportunity in recent years to do as much fundamental research and investigation as is necessary in order to keep abreast of developments. It is not proposed to make a radical increase in the Division's personnel or budget, but to permit it to increase as specific projects are developed and approved.

"It is proposed to meet such increase in the cost of the Board's Division of Research and Statistics as may be necessary by a reduction in the cost of the statistical work carried on in the individual Reserve banks. According to the expenses for 1933 the total cost of the statistical and analytical functions of the banks was \$489,673. Of this amount \$77,793 was classified as administrative, \$304,681 as collection of statistics, \$41,479 as the cost of the monthly letters, and \$65,720 as library. It would seem apparent that this amount of expenditure by the Federal Reserve banks is larger than necessary and that a reduction in its cost more than sufficient to offset any increase in the Board's own work can be accomplished. Analysis of the expenditures by the different Reserve banks shows that they are largely concentrated in Boston, New York, Philadelphia, Cleveland, Chicago, and San Francisco. At the other banks expenditures are relatively small.

"As a general principle, it would appear that the statistical and economic work of the banks should be limited to two purposes: (1) such service as the officers or directors of the Reserve banks may require, and (2) such work as is necessary for the collection of data for the Federal Reserve Board. Independent research projects should not be undertaken by the Reserve banks, unless for some reason the bank is particularly advantageously located for this research and the project is approved by the Board or its representatives.

"When the items of the expenditures are considered under the subheads enumerated above, it appears that the \$66,000 that is spent for library services is not excessive. The question of the monthly letters that are issued by the Reserve banks is one that requires further study. The principal saving, however, would occur under the two headings: administration and collection of statistics.

"It is proposed that the Board's Division of Research and Statistics assign a man to a careful study of the work of the statistical divisions of the twelve Federal Reserve banks, of their functions, personnel, and the extent to which they are used and of the use that is made of the monthly letters.

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"On the basis of this study it is proposed to make a definite recommendation of cost reduction to be effective in the year 1936. In the meantime, it is proposed to make such reduction in the course of 1935 as the study will indicate can be made advantageously without delay."

Upon motion by Mr. Hamlin, the proposals mentioned in the report were approved and the report was ordered circulated.

Mr. Szymczak made a brief report on his attendance at the meeting of representatives of the Federal reserve banks and industrial advisory committees which was convened in Cleveland yesterday and is continuing today for the purpose of discussing industrial loan procedure.

Governor Eccles stated that the Secretary of the Treasury had received the report on the credit survey which was made during the late summer by representatives of the Treasury Department in the Seventh Federal Reserve District, and had submitted the report to him with the statement that he desired to publish it. Governor Eccles said that, as the report dealt in part with industrial loans, he had turned it over to Mr. Szymczak with the request that he read it to determine whether there is any objection to its being published, and that, upon being advised by Mr. Szymczak that if the Federal Reserve Board is not understood as approving the report he saw no objection to its publication, he (Governor Eccles) had so reported at a recent meeting of the committee of the lending agencies of the Government.

There followed a brief discussion of the results which have been obtained from the industrial loan activity of the Federal

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reserve banks, and reference was made to certain instances which had come to the attention of members of the Board where loans have been made by banking institutions which would not have been made had it not been for the industrial loan activity, and where helpful advice had been given by the Federal reserve banks in solving the financial problems of commercial and industrial concerns but which had not resulted in loans by banks and, therefore, would not appear in the reports of loans and commitments made.

Governor Eccles stated that he had requested Deputy Governor Burgess of the Federal Reserve Bank of New York to communicate with Governor Harrison, Chairman of the System Committee on Legislative Program, who is still confined to his home by illness, and to advise him that the Board desires the committee to submit its report at the earliest possible date. He said that Deputy Governor Burgess had reported that Governor Harrison was agreeable to this suggestion, and the meeting of the committee to be held on December 17, 1934, had been called for that purpose.

In connection with the above matter, Governor Eccles referred to the telegram sent to the members of the Federal Open Market Committee on December 7, 1934, calling a meeting of the committee in Washington on December 17, 1934. There was a brief discussion as to the procedure which might be followed in connection with the meeting, but no conclusions were reached.

Governor Eccles stated that he desired to have an informal talk in his office with the members of the Board tomorrow afternoon

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at 3:00 p. m. Mr. Szymczak referred to the report submitted by the Committee on District No. 7 under date of October 27, 1934, recommending the appointment of a successor to Mr. Stevens, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Chicago, and inquired whether that matter could be discussed during the informal meeting. He stated that, if action is not to be taken by the Board, he would like to advise Mr. Stevens as soon as possible and to withdraw the recommendation as to the appointment of a successor. Governor Eccles stated that the matter could be discussed at the informal meeting.

The Board then acted upon the following matters:

Memorandum dated December 6, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Martin Krost as a junior research assistant in the division, with salary at the rate of \$3,400 per annum, effective January 7, 1935, subject to his passing a satisfactory physical examination.

Approved.

Telegram dated December 11, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Your letter seventh. Board approves appointment of Edward F. Cleary as examiner in Federal Reserve Agent's department your bank at salary rate of \$5,400 per annum. Please advise effective date."

Approved.

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Telegram dated December 11, 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:

"Your letter seventh. Contemplated plan of borrowing fifteen to twenty-five men from various banks in New York City on temporary basis to facilitate program of examination work meets with Board's approval."

Approved.

Letter dated December 11, 1934, approved by five members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of November 30, 1934, regarding loans of the 'Security Trust Company', Wheeling, West Virginia, secured by stock of the trust company.

"From the information submitted it appears that if the note of \$3,750 signed by R. E. and A. D. Bowie, officers of the trust company, and which is a balance due on a note of \$6,250 given in January, 1932, in connection with the purchase of 25 shares of stock of the trust company, represents a bona fide loan it is a loan made by the trust company on the security of the shares of its own capital stock in violation of section 9 of the Federal Reserve Act. In view of the information, however, that neither the signers of the note nor the trustee in whose name the stock held as collateral has been issued have any ownership in the stock and that the transaction involving the purchase of 25 shares of stock was made in compliance with instructions of the executive committee of the trust company, it would appear that the transaction, if not an actual purchase by the trust company of its own stock in violation of section 9 of the Federal Reserve Act, is an attempted evasion of the spirit and purposes of the statutory provisions prohibiting the purchase by a member bank of its own stock.

"In any event, the bank has been carrying since February, 1932, 15 shares of its own stock contrary to the requirements of the law. You are requested, therefore, if you have not already done so, to advise the trust company of the applicable provisions of the law and to report to the Board what action the trust company has taken or proposes to take to comply with the statutory provisions regarding transactions in its

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"own stock.

"In your letter of November 30 no mention was made of the loan to H. C. Franzheim secured in part by 21 shares of the stock of the trust company, and it is assumed that the stock was taken as collateral to protect an advance previously made. It is noted that an examination of the trust company will be made in the near future and you are requested to develop at that time full information regarding the loan to Mr. Franzheim secured by stock of the trust company."

Approved.

Letter dated December 11, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of November 30, 1934, and inclosures, relative to the request of the 'Security Bank of Myrtle Point', Myrtle Point, Oregon, for permission to retire \$2,000 of its outstanding capital debentures.

"In accordance with your recommendation, the Board approves the retirement of capital debentures of the Security Bank of Myrtle Point, Myrtle Point, Oregon, in the amount of \$2,000, with the understanding that the bank's surplus will be simultaneously increased by the same amount."

Approved.

Letter dated December 11, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Mexico', Mexico, New York, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$72,000 of preferred stock to the Reconstruction Finance Corporation and/or others, and that the released capital, together with the bank's surplus, undivided profits and reserve accounts, shall be used to eliminate estimated losses as shown in the report of examination as of October 20, 1934, all as set forth in your memorandum of November 30, 1934.

"In considering the plan under which the reduction in

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"common capital stock is to be effected, it has been noted that the estimated losses exceed the aggregate of released capital, surplus, undivided profits and reserve for contingencies by approximately \$13,700, resulting in a capital impairment of that amount, and that securities depreciation unprovided for in amount of approximately \$26,900, if considered as a loss, will further impair the bank's capital. It is assumed, however, that this condition is receiving the attention of your office."

Approved.

Letter dated December 11, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Farmers and Merchants National Bank and Trust Company of Winchester', Winchester, Virginia, from \$300,000 to \$150,000, pursuant to a plan which provides that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in your letter of December 4, 1934.

"It has been noted from the report of examination of the subject bank, as of June 28, 1934, that your examiner regarded its management as weak and incompetent and that the institution was burdened with a large aggregate of unsatisfactory assets. It is understood from your letter, however, that there has been a marked improvement in the bank's general condition since the time of examination and that the officers and directors have been giving the bank's affairs close attention."

Approved.

Letter dated December 11, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank in Blandinsville', Blandinsville, Illinois, from \$25,000

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"to \$2,500, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$47,500 of preferred stock to the Reconstruction Finance Corporation and/or others, and that the released capital, together with the bank's undivided profits and \$5,000 of its surplus, shall be used to eliminate or reduce unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of December 3, 1934."

Approved.

Telegram dated December 11, 1934, approved by four members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that the Board has given consideration to the application of the "Union Trust Company of New Castle", New Castle, Pennsylvania, 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 Lawrence County at New Castle", New Castle, Pennsylvania, 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

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"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, you shall satisfy yourself that 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 report of examination made for or satisfactory to you, except that the charge-offs and eliminations required by (b) and (c) above may be based upon current market values of readily marketable securities."

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 Mr. Fletcher to have prepared by counsel for the Federal reserve bank, and to issue to the Union Trust Company of New Castle, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Telegram dated December 11, 1934, approved by four members of the Board, 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 "Corporation of the President of the Church of Jesus Christ of Latter-Day Saints",

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Salt Lake City, Utah, 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 Utah State National Bank of Salt Lake City", and the "Utah Savings & Trust Company", both of Salt Lake City, Utah, 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 or 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 Exhibits L, F.R.B. Form P-3, executed by Beneficial Life Insurance Company, Deseret News Publishing Company, Layton Sugar Company, Temple Square Hotel, Utah Assets Corporation, Utah Hotel Company, Utah Savings & Trust Abstract Company, Utah Savings & Trust Building Company, Utah Savings & Trust Safety Deposit Company, Zion's Savings Bank & Trust Company, and Zion's Securities Corporation and Exhibit N, F.R.B. Form P-4, executed

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"by Corporation of the President of the Church of Jesus Christ of Latter-Day Saints and consented to by Beneficial Life Insurance Company, Deseret News Publishing Company, Layton Sugar Company, Temple Square Hotel, Utah Assets Corporation, Utah Hotel Company, Utah Savings & Trust Abstract Company, Utah Savings & Trust Building Company, Utah Savings & Trust Safety Deposit Company, Zion's Savings Bank & Trust Company, and Zion's Securities Corporation, all of which Exhibits shall be in form satisfactory to Counsel for the Federal Reserve Bank of San Francisco."

and for the following purposes:

"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."

The telegram also authorized Mr. Sargent to have prepared by counsel for the Federal reserve bank, and to issue to the Corporation of the President of the Church of Jesus Christ of Latter-Day Saints, 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, reading as follows:

"Referring Wheeler's telegram November 16 with reference to Securities and Exchange Commission Press Release No. 35, Rule JES. Under Regulation T question which must be determined in ascertaining whether a non-exempted security has loan value is whether such security is 'registered on a national securities exchange'. The security may be so registered and accordingly be entitled to loan value under Regulation T even though under Rule JES it has been suspended from trading privileges, but, if under Rule JES or otherwise, the security is stricken from registration it will at such time cease to be entitled to loan value. If an account contains securities which are so stricken from registration the maximum loan value of securities in the account will accordingly be

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"decreased. This may cause the account to become a restricted account."

Approved.

Letter dated December 11, 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:

"The Board has reconsidered the Clayton Act application of Mr. Thos. C. Boswell, Troy, New York, for permission to serve at the same time as director of Manufacturers Bank of Cohoes, Cohoes, New York, and 'The Manufacturers National Bank of Troy', Troy, New York, and upon the basis of the information before it, including that submitted with your letter of November 5, 1934, has approved the application.

"There are inclosed the original and copies of the permit granted to Mr. Boswell, for transmittal by you to the applicant and the banks involved. A copy is also inclosed for your files."

Approved.

Letter dated December 11, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing the following Clayton Act permit for transmittal to the applicant, and suggesting that the agent advise the applicant that the permit has been granted with the expectation that, as indicated in his letter of May 1, 1934, to Assistant Federal Reserve Agent Dillistin, he will improve his attendance at directors' meetings:

Mr. Richard W. Hawkins, for permission to serve at the same time as a director of The Citizens National Bank of East Northport, East Northport, New York, and as a director and officer of the Northport Trust Company, Northport, New York.

The letter also suggested that the agent endeavor, in cooperation

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with the appropriate supervisory authorities, to bring about an improvement in the management of the banks involved in the permit, a correction of the matters criticized by the examiners and completion of the program for the rehabilitation of The Citizens National Bank of East Northport through the sale of preferred stock; and requested that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the progress made in bringing about an improvement in the management and condition of the banks involved and as to the applicant's attendance at directors' meetings.

Approved.

Letter dated December 11, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of November 15, 1934, concerning the Clayton Act application of Mr. J. H. Ward Hinkson, Chester, Pennsylvania, for permission to serve at the same time as director of The First National Bank of Chester, Chester, The Ridley Park National Bank, Ridley Park, and Chester-Cambridge Bank and Trust Company, Chester, all of Pennsylvania, which was not approved by the Board as indicated in its letters of August 24, and November 12, 1934, to you.

"In your letter of November 15, 1934, you stated that you advised Mr. Hinkson of the Board's decision and were informed by him that he would not stand for reelection as director of either The First National Bank of Chester or The Ridley Park National Bank at the end of the current year provided such action was in compliance with the Board's wishes. You also stated that, in view of the proximity of the time for the next annual meetings of the shareholders of the three banks involved and in order to relieve Mr. Hinkson of the embarrassment of resigning from the boards of the two national banks, you would interpose no objection to this procedure unless the Board should request that his resignation be submitted and

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"acted upon at this time.

"Under the circumstances, the Board will not require that his resignation be submitted and acted upon at this time, provided he does not stand for reelection as director of either of the national banks at the end of the current year and provided he does not actually serve as a director or perform any of the functions of a director in the meantime.

"It will be appreciated if you will advise Mr. Hinkson accordingly. In order that the Board's files may be complete, it will also be appreciated if you will ascertain and advise the Board definitely, after the next election of directors of the two national banks has taken place, that Mr. Hinkson has not been reelected."

Approved.

Letter dated December 11, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board has reconsidered the application of Mr. Albert E. Kettle, Kalamazoo, Michigan, for permission under the provisions of the Clayton Act to serve at the same time as director of 'The First National Bank and Trust Company of Kalamazoo' and as director of Kalamazoo Industrial Bank, both of Kalamazoo, Michigan, and upon the basis of the information before it, including that submitted with Assistant Federal Reserve Agent Young's letter of September 28, 1934, still feels that the granting of the permit applied for would be incompatible with the public interest as indicated in its letter of September 22, 1934, to you. You are requested to advise the applicant accordingly.

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

Approved.

Letters dated December 11, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Louis DuBois, for permission to serve at the same time as a director of The Livingston Manor National Bank, Livingston

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Manor, New York, and as a director of The First National Bank and Trust Company of Ellenville, Ellenville, New York.

Mr. Geo. B. Reynolds, for permission to serve at the same time as a director of The First National Bank and Trust Company of Ellenville, Ellenville, New York, and as a director of The South Fallsburg National Bank, South Fallsburg, New York.

Mr. George A. Meyer, for permission to serve at the same time as a director of the First National Bank in St. Louis, St. Louis, Missouri, and as a director of the Chippewa Trust Company, St. Louis, Missouri.

Mr. John B. Strauch, for permission to serve at the same time as a director of the First National Bank in St. Louis, St. Louis, Missouri, and as a director of the Northwestern Trust Company, St. Louis, Missouri.

Approved.

There were then presented the following applications for changes in stock of Federal reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>
<u>District No. 2.</u>	
The Citizens National Bank of Bloomsbury, Bloomsbury, New Jersey	4
First National Bank of Afton, Afton, New York	9
The First National Bank of Boonville, Boonville, New York	51
The Peninsula National Bank of Cedarhurst, Cedarhurst, New York	22
The First National Bank of Cobleskill, Cobleskill, New York	45
The Second National Bank of Cooperstown, Cooperstown, New York	30
The National Mohawk River Bank of Fonda, Fonda, New York	6
Genesee Valley National Bank and Trust Company of Genesee, Genesee, New York	120
The Sullivan County National Bank of Liberty, Liberty, New York	81
The Black River National Bank of Lowville, Lowville, New York	30

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Applications for ADDITIONAL Stock: (Continued)		Shares	
<u>District No. 2. (Continued)</u>			
The Middleville National Bank, Middleville, New York	7		
The First National Bank of Perry, Perry, New York	30		435
<u>District No. 3.</u>			
Hightstown Trust Company, Hightstown, New Jersey	9		9
<u>District No. 4.</u>			
The Third National Exchange Bank of Sandusky, Sandusky, Ohio	120		
The Peoples State Bank Company, Archbold, Ohio	1		
The Fifth Avenue Savings Bank Company, Columbus, Ohio	2		123
<u>District No. 7.</u>			
The First National Bank of Columbus, Columbus, Wisconsin	30		30
<u>District No. 8.</u>			
The First National Bank in Ashdown, Ashdown, Arkansas	12		
The First National Bank of Carmi, Carmi, Illinois	11		
The First National Bank of Enfield, Enfield, Illinois	8		
The Second National Bank of Robinson, Robinson, Illinois	45		
The National City Bank of Evansville, Evansville, Indiana	120		
Old National Bank in Evansville, Evansville, Indiana	60		
The Citizens National Bank of Tell City, Tell City, Indiana	6		
The First National Bank of Greenville, Greenville, Kentucky	24		
Clayton National Bank, Clayton, Missouri	15		
Union State Bank of Clinton, Clinton, Missouri	1		
Mechanics Bank and Trust Company, Moberly, Missouri	2		
The Plaza Bank of St. Louis, St. Louis, Missouri	6		310

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 9.</u>			
The Escanaba National Bank, Escanaba, Michigan		30	
The Third Northwestern National Bank of Minneapolis, Minneapolis, Minnesota		8	
The First National Bank of Montgomery, Montgomery, Minnesota		2	
First National Bank of Hopkins, Hopkins, Minnesota		1	
The Empire National Bank and Trust Company of St. Paul, St. Paul, Minnesota		8	
The First National Bank of Grantsburg, Grantsburg, Wisconsin		3	
Bank of Boyceville, Boyceville, Wisconsin		16	
The First National Bank of Jordan, Jordan, Minnesota		2	
The First National Bank of Walker, Walker, Minnesota		1	
The First National Bank of Bowman, Bowman, North Dakota		9	
The First National Bank of River Falls, River Falls, Wisconsin		15	
Gallatin Trust & Savings Bank, Bozeman, Montana		27	
Clarks Fork Valley Bank, Fromberg, Montana		5	127
<u>District No. 12.</u>			
The First National Bank of Bellflower, Bellflower, California		3	
The Capital National Bank of Sacramento, Sacramento, California		300	303
		<u>Total</u>	<u>1,337</u>
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
The First National Bank of Arcade, Arcade, New York		36	
The First National Bank of East Rochester, East Rochester, New York		150	186
<u>District No. 5.</u>			
The Flat Top National Bank of Bluefield, Bluefield, West Virginia		90	
The First National Bank of North East, North East, Maryland		6	96

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<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 6.</u>		
The Commercial National Bank of Anniston, Anniston, Alabama	36	
The First National Bank of Jefferson, Jefferson, Georgia	<u>67</u>	103
<u>District No. 8.</u>		
The First National Bank of Paris, Paris, Arkansas	60	60
	<u>Total</u>	<u>445</u>

Approved.

Thereupon the meeting adjourned.

Peter Morie
Secretary.

Approved:

M. Stiles
Governor.