A meeting of the Federal Reserve Board was held in Washington on Saturday, January 5, 1935, at 11:30 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  

The Board acted upon the following matters:

Telegram to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Your telegram January 3. Board approves appointment of Mr. A. G. Nelson as a member of the Industrial Advisory Committee of Second District to succeed Mr. C. R. Palmer."

Approved.

Letter to the Chairmen of all Federal reserve banks, reading as follows:

"The Board has been considering the situation with respect to the salaries of officers and employees of the Federal reserve banks. It has noted that during the period from 1928 to 1933 the total number of officers and employees of the twelve Federal reserve banks increased from 9,189 to 11,781, that the total of all salaries paid increased from $17,200,000 to $20,400,000, and that there was an increase in the average salary paid. These figures of course include all salaries for which reimbursement is made to the Federal reserve banks. The figures for 1934 had not been prepared at the time of this compilation but it seems likely that for the system as a whole the increase was accentuated. During this period of years living expenses have undergone a material reduction throughout the United States and, while there have been for short periods some relatively small general reductions in salaries at the Federal reserve banks, such general reductions
"were terminated more than a year ago, and where additional people were taken on to provide increased employment there was no corresponding subsequent curtailment of working forces.

"The Federal reserve banks in their personnel policies have recognized their favorable position with respect to their earnings and have shown a considerate attitude toward their officers and employees in respect not only to salaries but also to other phases of their employment relations, while other banking institutions and industrial enterprises have been compelled to curtail forces and reduce salaries to a great extent. Various provisions for the welfare of the employees of the banks have been made at the expense of the banks, and within the past year there has been introduced a retirement system to which the banks are contributing a large sum annually.

"With these considerations in mind the Board has reviewed its policies in passing upon salaries of officers and employees of the Federal reserve banks and has decided that there should be no increases at this time in salaries of officers and employees receiving more than $5,000 per annum, or in any salaries not covered by the approved salary classification plan, unless there is involved a change from one position to another of greater duties and responsibility for which the salary proposed is reasonable in relation to the other salaries paid by the bank. The Board has also decided not to approve increases in maximum salaries for positions covered by the existing classification plans, except where there is involved a change in duties and responsibilities, calling for a revision of the specifications, for which higher compensation should be allowed. It is felt that the subject of the salary classification plans should be discussed with the governors of the banks at their next meeting in Washington.

"Under these policies it would not be a sufficient ground for approving an increase of salary merely that the volume of work done has increased or that the officer or employee has rendered good service or that he might go elsewhere if his salary were not increased.

"In this connection, the Board believes that when a vacancy occurs anywhere in the organization of a Federal reserve bank, an effort should be made to carry on the work through the use of other members of the existing forces and therefore that new people should not be employed unless absolutely essential and when persons capable of doing the work are not already available elsewhere in the organization.

"The Board feels further that any readjustments that may be found necessary should not result in increasing the aggregate
"payroll. In fact, it would be the expectation of the Board under existing conditions that notwithstanding any increases in salaries in individual cases there would be some decrease in the total payroll as the result of deaths, resignations and retirements.

"It is the view of the Board that the boards of directors of the Federal reserve banks and the Federal Reserve Board share in the responsibility of seeing that every reasonable effort is made by the banks not only to build up the efficiency of their organizations but also to be watchful against increases in expenses which can be avoided without impairment of the quality and adequacy of the service which the banks are called upon to render, as would be their duty if they were operating privately owned commercial banking institutions, and therefore that all changes in salaries as well as other expenses should be made the subject of special scrutiny in the light of this responsibility.

"It will be appreciated if you will call this letter to the attention of your Board promptly as it expresses the general position which the Board will take in acting upon pending or proposed salary increases."

Approved.

The following letter was also addressed to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, in accordance with the understanding at the meeting on December 29, 1934:

"I am writing to each of the Federal reserve banks a letter similar to the one attached to you in regard to salaries of officers and employees of the Federal reserve banks. I am also writing you this supplemental letter at the request of the Board in order that you and the other directors and officers of the Federal Reserve Bank of Chicago may know that the Board has recognized and appreciated the substantial progress which has been made during the past year in building up the efficiency of the bank's organization and reducing its expenses and that these accomplishments have not been overlooked in arriving at the conclusions set forth in the inclosed letter with respect to the policies which should be followed for the system as a whole."

Letter to the "Security National Bank of Battle Creek", Battle Creek, Michigan, reading as follows:

"The Federal Reserve Board has given consideration to
"your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, assignee, receiver, and committee of estates of lunatics, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board."

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

"The Board feels that, if you are tendered any of the trusts now held by the Old Merchants National Bank and Trust Company of Battle Creek, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of your institution."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Retel January 2 reference 'Marine Midland Corporation'. In view of all the circumstances in this case, you are authorized to except all subsidiary State banks from the requirements contained in subdivision (1) following the letter (C) in the Board's ANSIGAR telegram of December 24, 1934; provided that prior to the issuance of the limited voting permit authorized therein you shall satisfy yourself that each of such banks 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, (d) all other losses, and (e) the maximum amount of the portion of the assets against which suggested reserves have been set up by examiners which in your judgment shall be practicable in view of the total available capital structure of each such bank; as shown by the reports of simultaneous examinations made as at September 28, 1934, by examiners for the State of New York; and provided that applicant shall agree as follows: That the undersigned will cause each of its subsidiary State banks, at the earliest date which shall be deemed practicable in the judgment of the Federal Reserve Agent at the Federal Reserve Bank of New York, to charge off or otherwise eliminate the remaining amount of the
"portion of the assets against which suggested reserves have
been set up by examiners in the reports of simultaneous ex-
aminations made as at September 28, 1934, by examiners for the
State of New York."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal
Reserve Bank of New York, authorizing him, subject to the conditions
prescribed in the letter, to issue a limited voting permit to the
"Union County Trust Company", Elizabeth, New Jersey, entitling such
organization to vote the stock which it owns or controls in "The
First National Bank of Cranford", Cranford, New Jersey, and "Linden
Trust Company", Linden, New Jersey, 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 act upon a pro-
posal or proposals to create and issue common and/or pre-
ferred stock and to reduce common stock and to make such
amendments to the articles of association, charter, and/or
by-laws of such banks as may be necessary for such purposes,
such proposal or proposals to be in accordance with a plan
or plans satisfactory to the Federal Reserve Agent at the
Federal Reserve Bank of New York and approved by the ap-
propriate supervisory authorities."

The letter also stated that if the applicant believes that it will
be unable to comply with the agreements set forth in the letter and
for that reason is unwilling to execute the same, and if the Federal
reserve agent feels that the position of the applicant in this re-
gard is justifiable under all of the circumstances, he is authorized
to issue to the applicant, without conditions, a limited voting
Permit authorizing it to vote the stock of either or both of its subsidiary member banks for the purposes stated in 2 above; that, in such event, the agent's authority to issue a limited voting permit for the purposes stated in 1 above will continue until April 1, 1935, but such authority will be conditioned upon compliance by the applicant with the conditions stated in the letter. The letter further stated that, with reference to the applicant's request for a permit to vote stock of The First National Bank of Cranford, Cranford, New Jersey, for the purpose of placing that bank in voluntary liquidation and disposing of its assets and deposit liabilities, the Board does not feel that it would be justified in authorizing the issuance of such permit until a definite plan for the liquidation of the bank has been formulated and approved by the appropriate supervisory authorities; that such plan should provide that the claims of depositors will be paid in cash, or, if assumed by the Union County Trust Company, that, prior to such assumption, the trust company will rehabilitate its capital structure adequately to support its existing deposit liabilities and such additional deposit liabilities.

Approved.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference voting permit application 'Monongahela Trust Company'. In view of circumstances involved, you are authorized to except 'The First National Bank of Homestead' from the
requirements made in subdivision (1) following the letter (c) in the Board's ANCIGAR telegram of December 22, 1934; provided that prior to the issuance of the limited voting permit authorized therein, applicant shall cause The First National Bank of Homestead to make the maximum amount of charge-offs and/or eliminations of losses and/or depreciation in assets as shown by the latest available report of examination of such bank by national bank examiner as in your judgment shall be practicable in view of the total available capital structure of such subsidiary bank; and provided that applicant shall agree as follows: That the undersigned will cause The First National Bank of Homestead, Homestead, Pennsylvania, at the earliest date which shall be deemed practicable in the judgment of the Federal Reserve Agent at the Federal Reserve Bank of Cleveland, and in any event not later than April 30, 1935, to charge off or otherwise eliminate, if such subsidiary bank has not already done so, (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 by national bank examiner."

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, authorizing him, subject to the conditions prescribed in the letter, to issue a limited voting permit to "Farmers Loan and Trust Company; Sioux City, Iowa, entitling such organization to vote, for the purposes set forth in the letter, the stock which it owns or controls in the following banks:

"The First National Bank of Akron", Akron, Iowa,
"The First National Bank of Aurelia", Aurelia, Iowa,
"The First National Bank of Charter Oak", Charter Oak, Iowa,
"The First National Bank of Fonda", Fonda, Iowa,
"The First National Bank of Paullina", Paullina, Iowa,
"The Toy National Bank of Sioux City", Sioux City, Iowa,
"The First National Bank of Hudson", Hudson, South Dakota,
"The First National Bank of Emerson", Emerson, Nebraska,
"The First National Bank of Randolph", Randolph, Nebraska,
"The Wakefield National Bank", Wakefield, Nebraska.
The letter stated that it has been noted that the application is in the name of Farmers Loan and Trust Company and/or Farmers Loan and Trust Company, Trustee of the James F. Toy Bank Stock Trust; that the question whether the application should be in the name of the trust company or of the trust company as trustee, and the effect of the provisions of section 5144 regarding possession of assets and establishment of reserves upon such trust company, will be considered by the Board within the near future, but in view of the nearness of the annual meetings of the subsidiary banks, the authorization contained in the letter is for a permit in the name of Farmers Loan and Trust Company; and that the Board will advise the Federal reserve agent as soon as it has reached a decision regarding the above-mentioned questions.

Approved.

Letter to Mr. Fred I. Kent, New York, New York, reading as follows:

"The Federal Reserve Board has considered your letter of November 16, 1934, addressed to Vice Governor Thomas, regarding your applications under the provisions of section 32 of the Banking Act of 1933 for permits to serve at the same time as director of Bankers Trust Company, New York, New York; as director of Scarsdale National Bank and Trust Company, Scarsdale, New York; as director of Capital Management Corporation, New York, New York; and as director of Overseas Securities Company, Inc., New York, New York.

"The Board has noted your statements to the effect that Capital Management Corporation does not do business of any character with either of the banks and that the only business of Overseas Securities Company, Inc. with either of the banks consists in the maintaining of a small deposit account with Bankers Trust Company to meet ordinary checking requirements."
"The Board has also noted your suggestion that you be permitted to continue these directorships while awaiting clarifying amendments by Congress of some of the terms of the legislation involved.

"However, the position taken by the Board in connection with your applications was the same as that consistently taken with respect to other applications in which similar circumstances were present and was adopted in order to give effect to the purpose which the Board believes that Congress had in mind in enacting section 32; and, in view of that purpose, the Board believes that, except in unusual circumstances which clearly are not within the intent of the law, it should not issue permits authorizing relationships which fall within the prohibitions of the section. Although no facts have been presented to the Board which would show that your interlocking relationships have resulted in any of the undesirable practices which Congress sought to prevent, nevertheless the relationships appear to be within the class at which the provisions of section 32 were directed.

"While the Board is not unsympathetic with your desire to serve the above named two institutions, it believes that your letter of November 16, 1934, contains no facts which would justify an exception in your case, and the Board has therefore denied your application. It will be appreciated if you will advise the Federal Reserve Agent at the Federal Reserve Bank of New York of the action which you take in order to comply with the provisions of section 32."

Approved.

Thereupon the meeting adjourned.

[Signature]
Secretary.

Approved:

[Signature]
Governor.