A meeting of the Federal Reserve Board was held in Washington on Monday, February 4, 1935, at 4:30 p.m.

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

Mr. Morrill, Secretary

The Governor referred to a number of subjects which he said he had thought might be brought to the attention of the Governors while they are in Washington in connection with the meeting of the Federal Open Market Committee with the suggestion that the Governors, upon their return to their banks, discuss these topics with their directors and the other officers of the banks and within thirty days advise the Board as to their views, treating each subject separately. The list of topics from which Governor Eccles selected certain subjects by way of illustration of his suggestion was as follows:

1. General credit situation
   (a) Are commercial banks doing everything in their power to improve the situation?
   (b) If not, what steps can be taken by the Federal reserve banks or otherwise to bring about an improvement?

2. Direct loans to industry
   (a) Should Federal reserve banks continue this activity?
   (b) If not, should it be transferred to RFC?

3. Interest rates
   (a) On time and savings deposits of member banks.
   (b) On commercial and industrial loans.
4. Matters affecting admission of nonmember banks to Federal reserve system

(a) Earnings of nonmember banks from exchange collection charges.
(b) Present conditions of membership.
(c) Advisability of extension of membership to banks outside the States and the District of Columbia.


6. Adequacy of reimbursement of Federal reserve banks by Treasury and other governmental agencies for various services rendered and for space used in Federal reserve bank buildings.

7. Regulation fixing margin requirements for loans by banks upon equity securities for the purpose of purchasing or carrying securities registered on national securities exchanges.

(a) Circumstances under which regulation should be issued.
(b) Whether regulation should permit borrower to obtain from bank more than he could obtain from broker under Regulation T.

8. Economic and statistical divisions of Federal reserve banks.

(a) Usefulness to directors and officers.
(b) Value of Federal reserve bank monthly reviews.

9. Advisability of declaring a policy on the part of the Federal reserve banks that officers and employees should not acquire ownership of stock of banking institutions.

At the conclusion of a discussion, upon motion by Mr. Thomas, the Governor’s suggestion was approved.

The Board then acted upon the following matters:

Memorandum dated January 31, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment of Miss Caroline M. Burgess as a clerk in the division for a
Period of three months, with salary at the rate of $1,440 per annum, effective February 16, 1935.

Approved.

Letter to the board of directors of the "Calvert Bank", Baltimore, Maryland, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond.

Approved.

Letter to Mr. Moses Mayer, President of the Mayer State Bank, South Whitley, Indiana, reading as follows:

"Your letter of December 29, 1934, addressed to the Secretary of the Treasury, has been referred to this office for reply.

"The practice to which you refer of requiring bank borrowers to maintain specified balances in their deposit accounts is one that has been followed extensively for many years, particularly by banks in the larger centers, and is one over which the Federal Reserve System has no control.

"A large number of banks now analyze the accounts of their depositors and require them to maintain balances sufficient to compensate the banks for the cost of services rendered to the depositors. In the case referred to in your letter it appears that the borrower has a line of $15,000 with his bank and is presumably borrowing that amount. Of the $6,400 in his deposit account, $2,450 represented items in process of collection thus leaving a collected fund or actual balance of only $3,950. It does not appear from your letter whether the bank requires the borrower to maintain that amount on deposit with it, nor is the Board in a position to determine whether the balance is in excess of that needed to reasonably compensate the bank for the services rendered the borrower."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:
Receipt is acknowledged of your letter of January 28, 1935, submitting further information in connection with the request of Mr. Gerald F. Beal for a ruling as to the applicability of section 32 of the Banking Act of 1933 to his service as officer and director of J. Henry Schroder Trust Company, New York, New York, and as director of Grange Trust, Ltd. In its letter of December 19, 1934, the Board stated that, on the basis of the information which had been submitted, it appeared that section 32 was not applicable to these relationships but, in this connection, stated that information had not been submitted regarding the extent of the activity of the company in purchasing, selling or distributing its own shares or other securities.

The information furnished with your letter of January 28, 1935 relates to the latter question. It appears that, when the company was organized in 1926, its shares were issued and sold to the public; that in 1927 and 1928 additional shares were offered to the shareholders of the company; and that in 1934 an issue of the company's 4 per cent Debenture Stock was placed privately by brokers. It appears that no shares or other securities of the company are at present being sold or distributed, and that no shares or other securities of the company have been purchased or redeemed at any time.

Upon the basis of the foregoing information, the Board concurs in your opinion that section 32 of the Banking Act of 1933 is not applicable to the relationships described in the first paragraph of this letter.

Approved.

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

"Consideration has been given to the application of Mr. Bayard F. Pope under the provisions of Section 32 of the Banking Act of 1933 for a permit authorizing him to serve as director and chairman of the Advisory Committee of The Marine Midland Trust Company of New York, New York, New York, and as director of Utility Equities Corporation, Jersey City, New Jersey. Consideration has also been given to your letter of August 15, 1934, and the enclosed letter from the corporation, and the opinion of counsel for your bank, relating thereto. It is noted that you and counsel for your bank are of the opinion that on the basis of the information submitted the relationship covered by the application should not be regarded as subject to the provisions of Section 32.

It appears that Utility Equities Corporation is an investment trust, which has confined its activities to the business of acquiring and managing a list of securities as investments for the benefit of its own stockholders, and which has not
"engaged in syndicate operations involving the underwriting, flotation, and distribution of securities.

"It also appears that the total purchases and sales of securities by the corporation during the years 1929 to 1933, inclusive, represented the following percentages of its assets at the end of the respective years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchases</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>98.64</td>
<td>66.72</td>
</tr>
<tr>
<td>1930</td>
<td>42.49</td>
<td>21.14</td>
</tr>
<tr>
<td>1931</td>
<td>19.91</td>
<td>17.52</td>
</tr>
<tr>
<td>1932</td>
<td>25.40</td>
<td>25.43</td>
</tr>
<tr>
<td>1933</td>
<td>48.37</td>
<td>47.64</td>
</tr>
</tbody>
</table>

Average for five years 57.20 39.40

"It also appears that at the end of the year 1933 securities in the corporation's portfolio had been held in the following proportions for the following periods:

- Held less than six months 16.81%
- Held 6 to 12 months 16.70
- Held 12 to 18 months 2.10
- Held 18 to 24 months 2.40
- Held over 24 months 59.99

"On the basis of the information which has been submitted, the Board concurs in your opinion that Utility Equities Corporation should not be regarded as 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of Section 32.

"The information which has been submitted does not indicate the extent of the activity, if any, of the corporation in purchasing, selling, or distributing its own stock or other securities. In the event that the corporation is actively engaged in such transactions, a further question would be raised regarding the applicability of Section 32 in this case."

Approved.

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

"Reference is made to your letter of January 24, 1935, submitting the review which you indicated in your letter of August 29, 1934, would be made with respect to the Clayton Act permit granted July 31, 1934, to Mr. Madison L. Toma, Morristown, New Jersey, to serve at the same time as director and officer of The National Iron Bank of Morristown, Morristown, as director and officer of The Chatham Trust Company, Chatham, and as director of The First National Bank in Rockaway, Rockaway, all of New Jersey."
"The Board has reviewed the information submitted with your letter of January 24, 1935, and, in view of your recommendation and the fact that the banks involved do not appear to be in a position to compete substantially, is willing to allow the permit granted to Mr. Toms on July 31, 1934, to continue in effect."

Approved.

Letter to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest.

Mr. Edward M. Lieblein, for permission to serve at the same time as a director of The National Metals Bank of Hancock, Hancock, Michigan, and as a director of the Merchants & Miners Bank, Calumet, Michigan.

The letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Approved.

Letters to applicants for permits under the Clayton Act advising of approval of their applications as follows:

Mr. C. S. Carter, for permission to serve at the same time as a director and officer of The Dominion National Bank of Bristol, Bristol, Virginia, and as a director of The First National Bank of Big Stone Gap, Big Stone Gap, Virginia, for the period ending January 14, 1936.
Mr. J. H. Fleming, for permission to serve at the same time as a director of The Dominion National Bank of Bristol, Bristol, Virginia, and as a director of the Bristol Savings & Loan Corporation, Bristol, Virginia, for the period ending January 14, 1936.

Mr. Chas. S. Backus, for permission to serve at the same time as a director and officer of the State Bank of Hampshire, Hampshire, Illinois, and as a director of The Union National Bank of Elgin, Elgin, Illinois, for the period ending January 14, 1936.

Mr. L. F. Pingel, for permission to serve at the same time as a director and officer of The First National Bank, Rembrandt, Iowa, and as a director and officer of The First State Bank, Linn Grove, Iowa, for the period ending January 14, 1936.

Mr. J. E. Davis, for permission to serve at the same time as a director and officer of the Dakota National Bank & Trust Company of Bismarck, Bismarck, North Dakota, as a director and officer of The First National Bank of McClusky, McClusky, North Dakota, and as a director and officer of the Citizens State Bank, Goodrich, North Dakota, for the period ending January 14, 1936.

Mr. E. H. Wahl, for permission to serve at the same time as a director and officer of the First State Bank, Denhoff, North Dakota, and as a director of The First National Bank of McClusky, McClusky, North Dakota, for the period ending January 14, 1936.

Mr. W. D. Wyard, for permission to serve at the same time as a director of The Livestock National Bank of Sioux City, Sioux City, Iowa, as a director and officer of the First State Bank, Denhoff, North Dakota, and as a director and officer of the Citizens State Bank, Goodrich, North Dakota, for the period ending January 14, 1936.

Mr. W. E. Carter, for permission to serve at the same time as a director and officer of the Bank of Carthage, Carthage, Missouri, as a director of the First National Bank of Mt. Vernon, Mt. Vernon, Missouri, and as a director of The Aurora Bank, Aurora, Missouri, for the period ending January 14, 1936.

Mr. Allen McReynolds, for permission to serve at the same time as a director and officer of the First National Bank of Mt. Vernon, Mt. Vernon, Missouri, as a director of the Bank of Carthage, Carthage, Missouri, and as a director of the Webb City Bank, Webb City, Missouri, for the period ending January 14, 1936.
Mr. H. W. Putnam, for permission to serve at the same time as a director and officer of the First National Bank of Mt. Vernon, Mt. Vernon, Missouri, and as a director and officer of The Aurora Bank, Aurora, Missouri, for the period ending January 14, 1936.

Mr. H. W. Putnam, Jr., for permission to serve at the same time as a director of the First National Bank of Mt. Vernon, Mt. Vernon, Missouri, and as a director and officer of The Aurora Bank, Aurora, Missouri, for the period ending January 14, 1936.

Approved.

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

<table>
<thead>
<tr>
<th>Application for ORIGINAL Stock:</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>District No. 4.</td>
<td></td>
</tr>
<tr>
<td>First National Bank in Mt. Gilead, Mt. Gilead, Ohio</td>
<td>36 36</td>
</tr>
</tbody>
</table>

Approved.

Thereupon the meeting adjourned.

[Signature]
Secretary.

Approved:

[Signature]
Governor.