A meeting of the Federal Reserve Board was held in Washington on Wednesday, February 6, 1935, at 3:00 p. 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:

Telegrams from Messrs. Curtiss, Austin and Wood, Chairman of the Federal Reserve Banks of Boston, Philadelphia and St. Louis, respectively, all advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

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

"Your letter February fourth. Board approves temporary designation of Arthur M. Hazeltine as examiner in Federal Reserve Agent's department your bank."

Approved.

Telegram to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Your letter January 31. Board approves use of the 54 employees of your bank to assist in examinations of State member banks. It is understood, of course, that this arrangement is temporary and that the employees referred to will assist
"Your regular examiners in clerical capacities in connection with the examinations."

Approved.

Letter dated February 5, 1935, approved by five members of the Board, to the board of directors of the "Passaic Park Trust Company", Passaic, New Jersey, 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 New York.

Approved.

Memorandum dated January 29, 1935, from the Committee on Salaries and Expenditures, submitting a letter dated December 26, 1934, from Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago, which requested approval of a change in the personnel classification plan of the bank to provide for a change in the salary range of the position of Chief of the Accounting Department, Member Bank Accounts Division, from $3000-$3500 to $3500-$4,000; and a letter dated January 23, 1935, from Mr. Preston, stating that after receiving Governor Eccles' letter of January 5, 1935, outlining the Board's position with regard to increases in salaries of officers and employees of Federal reserve banks, the Chicago bank felt that it would conform more to the views of the Board if they merely asked for an increase of $100 for Mr. Corrigan, Chief of the Accounting Department, Member Bank Accounts Division, even though it will be over the maximum for the job. The memorandum stated
that in view of the statements made in Mr. Preston's letter of January 23, the Committee feels that the increase in Mr. Corrigan's salary is reasonable and recommends that it be approved.

Approved.

Memorandum dated January 23, 1935, from the Committee on Salaries and Expenditures, submitting a letter dated December 24, 1934, from Mr. Attebery, Deputy Governor of the Federal Reserve Bank of St. Louis, which requested approval of certain changes in the personnel classification plan of the bank and its Louisville Branch. The memorandum stated that the changes requested in Mr. Attebery's letter appear not to be in conflict with the Board's position as set forth in Governor Eccles' letter of January 5, 1935, and the Committee recommends that they be approved.

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to "Northwest Bancorporation", Minneapolis, Minnesota, entitled such organization to vote the stock which it owns or controls in "The First National Bank of Knapp", Knapp, Wisconsin, for the purposes set forth in the telegram.

Approved.

Letter dated February 4, 1935, approved by five members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Your letter of January 31, 1935, expressing a desire to
"be absent from the Federal Reserve Bank of Cleveland for a period of perhaps three weeks beginning February 18, 1935, has been brought to the attention of the members of the Federal Reserve Board, and I have been requested to advise you that the Board approves your being absent for the period stated and hopes that the rest will enable you to recover completely from your recent illness."

Approved.

Letter to Mr. J. F. Herson, Administrative Assistant, Reconstruction Finance Corporation, reading as follows:

"As requested in your letter of January 23, 1935, the lists furnished by your office of State member banks in the capital structure of which the Reconstruction Finance Corporation has an investment or is committed to such an investment are returned with notations indicating which of the banks are subject to a condition of membership requiring approval by the Federal Reserve Board of a reduction in capital. In this connection you are advised that on December 15, 1934, the various Federal Reserve Agents were authorized, in certain circumstances and under certain limitations, to approve on behalf of the Board in any case where the Board's approval of such reductions is required, reductions of preferred stock or capital notes or debentures issued by a State member bank. You will note that the authorization extends to approval only of reductions of preferred stock and capital notes and debentures and does not apply to reductions in common capital stock. The following excerpt from the Board's letter of authorization dated December 15, 1934, is quoted for your confidential information:

"The Board understands that provision is usually made, among other things, for the retirement from time to time of capital notes or debentures or preferred stock out of earnings of the bank and that, accordingly, there may be numerous reductions in comparatively small amounts of capital notes or debentures or preferred stock issued by State member banks. In the circumstances, the Board feels that it is appropriate to authorize the respective Federal Reserve Agents, in cases in which the Board's approval is required, to approve on the Board's behalf reductions of capital notes or debentures or preferred stock issued by State member banks where, in the opinion of the Federal Reserve Agent, all of the circumstances involved warrant such a reduction and where after such reduction is accomplished the member bank will have an
unimpaired capital and surplus of not less than one-tenth of the amount of its deposit liabilities. Each of the Federal Reserve Agents is accordingly hereby authorized to approve on behalf of the Board, in the circumstances and within the limitations described, reductions of capital notes or debentures or preferred stock issued by State member banks in any case where the Board's approval of such reduction is required.

"It will be observed that in the case of the following six banks no indication has been given as to whether the banks are subject to a condition of membership requiring the Board's approval of a reduction in capital:

- East Orange, N. J.
- Savings Investment & Trust Co.
- Newark, N. J.
- Federal Trust Company
- Buffalo, N. Y.
- Manufacturers & Traders Trust Company
- New York, N. Y.
- Manufacturers Trust Company
- Utica, N. Y.
- First Citizens Bank & Trust Co.
- Cincinnati, Ohio
- Fifth-Third Union Trust Co.

The question as to whether the above banks are subject to the condition regarding reduction of capital is under review and you will be advised as soon as the question has been determined. In the meantime, if the question of a capital reduction of one of the above banks is raised, the Board will be glad to consider the matter and give an expression of its views."

Approved.

Letter dated February 4, 1935, approved by five members of the Board, to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of January 28 regarding the recently discovered affiliation between the Empire Trust Company, St. Joseph, Missouri, and the St. Joseph Paper Box Company. It is noted that an immediate change in the directorate of the Box company is contemplated, which will terminate the affiliation. In accordance with your recommendation, if the
"affiliation has been terminated, the Board will not require, at this time, publication of the report of the affiliate as of December 31, 1934, nor as of preceding call dates."

Approved.

Letter dated February 5, 1935, approved by the six appointive members of the Board, and the Secretary of the Treasury and the Comptroller of the Currency, ex-officio members, in accordance with the action taken at the meeting of the Board on January 23, 1935, to Governor Newton of the Federal Reserve Bank of Atlanta, reading as follows:

"The Federal Reserve Board has received your letter of January 11, 1935, with reference to the desire of the directors of the Federal Reserve Bank of Atlanta to make a payment in the sum of $25,000 from the funds of the Bank to Mrs. Eugene R. Black, the widow of the late Governor Black.

"In view of the very exceptional circumstances in this case and without intending to establish any precedent for similar action in other cases the Federal Reserve Board will interpose no objection to the action proposed by your board of directors."

Approved.

Letter to Governor Calkins, Chairman of the Governors' Conference, reading as follows:

"When Mr. Peyton, Chairman of the Board at the Federal Reserve Bank of Minneapolis, was in Washington some time ago he left with the Board a copy of the inclosed statement showing the period for which various records are retained by the several Federal Reserve banks and stated that he felt that it might be well to have a committee appointed to review the present procedure with reference to the destruction of records at the Federal Reserve banks and to submit a report thereon containing recommendations as to the minimum period for which records of the various kinds should be retained. It would be desirable for such a committee, if appointed, to consult with the Treasury Department regarding the destruction of old fiscal agency records and to include in its report..."
"recommendations covering the minimum periods for which the
various records of the Federal Reserve agents' departments
should be kept.

The Board is in sympathy with the suggestion made by
Mr. Peyton and feels that a committee should be appointed for
this purpose and that in addition to operating men counsel
should be represented on the committee. If you agree with
the above, it is suggested that you appoint representatives
from the operating and legal departments of the banks to
serve on the committee, and the Board will ask the Chairman
of the agent's conference to designate a member of the commit-
tee."

Approved.

Letter dated February 4, 1935, approved by five members of
the Board, to Mr. Sargent, Assistant Federal Reserve Agent at

Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of January 28,
1935, replying to the Board's letter of January 21, 1935,
which asked for advice as to whether The C. T. Investment
Company is now engaged principally in the issue and sale of
securities within the meaning of section 20 of the Banking
Act of 1933 and whether the affiliation between that company
and The Cleveland Trust Company, Cleveland, Ohio, is therefore
in violation of that section. You have forwarded copies of
balance sheets of the investment company, amendments to its
articles of incorporation, a resolution adopted by its board
of directors, and an opinion of your counsel, based upon this
data, which reaches the conclusion that the company is no
longer engaged in the business referred to in section 20.

"It appears from the information submitted that, prior
to the effective date of section 20, the investment company
ceased issuing or distributing any new bonds or participations
and embarked upon a program of liquidation involving the col-
lection of the principal and interest of obligations due it
and the application of the proceeds thereof to maturing
obligations of the company. Under the circumstances, the
Board sees no reason to differ with the conclusion of your
counsel."

Approved.

Letter dated February 4, 1935, approved by five members
of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at
"This refers to your letter of January 22 with regard to the maintenance of a stock of unissued Federal Reserve notes at the Portland Branch.

The Board has no objection to your shipping the large denomination Federal Reserve notes held at the Portland Branch, in the custody of the Acting Assistant Federal Reserve agent, to your Head Office in order to relieve the pressure for vault space at the Branch and reduce to a minimum the possibility of loss.

It is noted that you propose to issue the smaller denominations to the Branch as needed until the entire present stock is exhausted and thereupon to terminate the appointment of Mr. G. A. Snow as Acting Assistant Federal Reserve Agent. Please advise the date upon which the discontinuance of the appointment is made effective."

Approved.

Letter dated February 5, 1935, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the request for a ruling contained in your letter of December 17, 1934 in connection with the application of Mr. Lindsay Bradford under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as an officer and director of City Bank Farmers Trust Company, New York, New York, and as an officer and director of Central Farmers Trust Company, West Palm Beach, Florida, and as director of City Farmers Fund (C) Inc., New York, New York. It is noted that you and counsel for your bank are of the opinion that section 32 is not applicable to the relationships in question.

It appears that City Farmers Fund (C) Inc. is engaged in the business of investing its funds in securities, and that it does not engage in the underwriting or distribution of securities other than its own. It also appears that since June 15, 1934 the corporation has not issued or sold any of its shares or bonds or other evidences of participation in the Fund, such transactions being prohibited, except with the permission of the Federal Reserve Board, by a condition prescribed by the Board in connection with the admission to membership in the Federal Reserve System of City Bank Farmers Trust Company.

It further appears that, for the period from May 1,
"1930, when the corporation commenced business, until December 31, 1933, purchases and sales of securities in connection with the investment of the funds of the corporation, exclusive of purchases incident to the investment of new capital funds derived from the sale of its own shares, constituted the following percentages of its total assets for the years indicated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchases</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>5.6</td>
<td>6.0</td>
</tr>
<tr>
<td>1931</td>
<td>48.7</td>
<td>49.6</td>
</tr>
<tr>
<td>1932</td>
<td>41.1</td>
<td>44.7</td>
</tr>
<tr>
<td>1933</td>
<td>41.2</td>
<td>37.7</td>
</tr>
<tr>
<td>Average</td>
<td>39.2</td>
<td>39.3</td>
</tr>
</tbody>
</table>

"Information has also been furnished showing the length of time the securities which were in the corporation's portfolio as of December 31, 1931 were held, before and/or after that date. The percentages are as follows:

- Held less than 6 months: 27.09%
- Held 6 to 12 months: 7.94%
- Held 12 to 18 months: 7.11%
- Held 18 to 24 months: 9.73%
- Held 24 months and over: 48.13%

100.00%

"In this connection the Board usually requests figures showing the length of time securities in the portfolio had been held as of a certain date, and the method which has been used above would tend to show a relatively higher proportion of securities held for longer periods. However, it does not appear to be necessary in this case to request the applicant to submit figures compiled on the usual basis.

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

Approved.

Letter dated February 5, 1935, approved by five members of the Board, to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of January 15, 1935 regarding the policy stated in the Board's letter of January 9, 1935 (X-9082) in connection with the issuance of permits under the Clayton Antitrust Act. It appears that you desire to know whether this new policy contemplates the issuance of permits covering services to banking institutions which come
Within the provisions of that Act in cases where the applicants are also serving non-banking institutions which make loans secured by stock or bond collateral within the provisions of section 8A.

"As you know, the Board is not authorized to issue permits covering service to non-banking organizations which make such loans. In this connection reference is made to the ruling to this effect published at page 771 of the Federal Reserve Bulletin for December 1933. Therefore, in a case such as you describe, the Board could only issue a permit covering the banking institutions involved. However, in that event, the Board would be issuing a permit under the Clayton Act, ostensibly rendering lawful services to banking institutions although such services would actually be unlawful because of the applicant's connection with a non-banking organization within the prohibitions of section 8A.

"Accordingly, the Board does not propose to issue Clayton Act permits covering services to banking institutions in cases where the applicant is serving non-banking organizations in violation of the provisions of section 8A."

Approved.

Letter dated February 5, 1935, approved by five members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"The Board has reconsidered the application of Mr. James McCullough, Jr., Kittanning, Pennsylvania, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of The National Kittanning Bank and the Safe Deposit and Title Guaranty Company, both of Kittanning, Pennsylvania, as well as the matter of revoking the existing permits dated April 11, 1929 issued to Mr. James McCullough, Jr. and to Mr. James T. McCullough, covering their services as directors of these two banks.

"As you know, since the Board first acted on the above matters, it has stated in its letter of January 9, 1935 (X-9082) that, in the absence of extraordinary circumstances, it would grant applications for permits in all cases in which action had not yet been taken, except that it would deny permits covering the service of banks engaged in the same class or classes of business in the same community and so located as to be in a position to compete substantially unless such banks are owned or controlled, directly or indirectly, by the
"same stockholders."

"However, under such policy, the Board has not undertaken
to revoke outstanding permits on the ground that the banks in-
volved were competitive institutions; and, in view of all the
circumstances involved, the Board does not feel that it should
at this time undertake to revoke the two outstanding permits
referred to above even though it appears, among other things,
that the two banks involved are in competition.

"Since the permit which has heretofore been issued to
Mr. James McCullough, Jr. covers his service as director of
the two banks and since his present application is only neces-
sary by reason of the fact that he is now serving also as offi-
cer of both banks, it appears that it is not inconsistent
with the policy stated in the Board's letter of January 9,
1935 (K-9082) to issue a new permit covering the applicant's
present relationships for the period ending January 14, 1936.
Accordingly, such a permit has been issued to the applicant,
and a copy thereof is inclosed for your files.

"However, in view of the circumstances discussed in your
letter of December 13, 1934, you may wish to consider the ad-
visability of inviting the attention of the Chief National Bank
 Examiner to the fact that, if he feels the circumstances war-
tant such action, he might initiate proceedings under section
30 of the Banking Act of 1933 with respect to the service of
Messrs. James T. McCullough and James McCullough, Jr. to the
national bank."

Approved.

Letter dated February 5, 1935, approved by five members of
the Board, to Mr. Clark, Assistant Federal Reserve Agent at the
Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to the Board's letter of October 30,
1934 to Mr. Newton, transmitting the original and copies of
Clayton Act permit issued to Mr. A. A. Cook to serve at the
same time as director and officer of The First National Bank
of South Pittsburg, South Pittsburg, Tennessee, and as a di-
rector and officer of the Marion Trust and Banking Company,
Jasper, Tennessee.

"Mr. Newton was authorized to release the permit upon
determining that an apparent violation by Mr. Cook of section
22(a) of the Federal Reserve Act had been duly considered and
closed without prosecution. However, from Mr. Newton's letter
of December 17, 1934 and from inquiries which have been made
in Washington, it appears unlikely that the question will be
"Disposed of for several weeks or possibly months. Moreover, in his letter, Mr. Newton reviewed the facts regarding this matter and reached the conclusion that it was improbable that any prosecution would be instituted and scarcely possible that there would be a conviction, even if prosecution were begun. He also repeated the statement which he had made earlier that he deemed it important that the permit be granted.

"Under the circumstances you are authorized to release the permit to Mr. Cook at this time if you now feel that it is important to do so and if no further facts have come to your attention of which you feel the Board should be advised before the permit is released."

Approved.

Letter dated February 5, 1935, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has reconsidered the following Clayton Act application and has issued a permit for the period ending January 14, 1936:

Mr. George F. Schmidt, for permission to serve at the same time as a director and officer of The First National Bank of Clifton, Clifton, New Jersey, and as a director and officer of The Clifton Trust Company, Clifton, New Jersey, for the period ending January 14, 1936.

Approved.

Letters dated February 5, 1935, approved by five members of the Board, to applicants for permits under the Clayton Act advising of approval of their applications as follows:

Mr. Albert C. Kluge, for permission to serve at the same time as a director of the Citizens Trust Company, Paterson, New Jersey, and as a director and officer of The First National Bank and Trust Company of Pompton Lakes, Pompton Lakes, New Jersey, for the period ending January 14, 1936.

Mr. C. Henry Rahb, for permission to serve at the same time as an officer of the West Side Trust Company, Newark, New Jersey, and as a director of The First National Bank of Garwood, Garwood, New Jersey, for the period ending January 14, 1936.
Mr. Charles N. Remington, for permission to serve at the same time as a director of the Federal Home Loan Bank of Indianapolis, Indianapolis, Indiana, and as a director of The Central Bank, Grand Rapids, Michigan, for the period ending January 14, 1936.

Mr. Robert C. Smith, for permission to serve at the same time as a director of the Brightwood State Bank, Indianapolis, Indiana, and as an employee of The Merchants National Bank of Indianapolis, Indianapolis, Indiana, for the period ending January 14, 1936.

Mr. P. S. Wilson, for permission to serve at the same time as a director of the State Bank of Steeleville, Steeleville, Illinois, and as a director of The First National Bank of Sparta, Sparta, Illinois, for the period ending January 14, 1936.

Mr. W. H. Ryan, for permission to serve at the same time as a director and officer of the Haugen State Bank, Haugen, Wisconsin, and as an officer of The First National Bank of Rice Lake, Rice Lake, Wisconsin, for the period ending January 14, 1936.

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]

Governor.

[Signature]