A meeting of the Federal Reserve Board was held in Washington on Thursday, March 7, 1935, at 12:30 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on February 18, 20, 21, 27 and 28, 1935, were approved.

The minutes of the meeting of the Federal Reserve Board and the Federal Advisory Council held on February 19, 1935, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on February 25 and 26, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Telegrams dated March 6, 1935, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and March 7 from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated March 2, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Jean G. Martz, whose temporary appointment as an employee in that division
expires on March 13, be given a permanent status effective as of the
date upon which she passes a satisfactory physical examination, with
no change in her present salary of $1,620 per annum.

Approved.

Memorandum dated March 4, 1935, from Mr. Paulger, Chief of the
Division of Examinations, recommending that the Board accept the resig—
nation submitted under date of March 1, 1935, by Mr. Herman C. King as
an Assistant Federal Reserve Examiner, effective as at the close of
business March 4, 1935.

Approved.

Memorandum dated February 26, 1935, from the Committee on
Salaries and Expenditures, submitting a letter dated February 19 from
Mr. Young, Secretary of the Federal Reserve Bank of Chicago, which re—
quested approval of proposed increases in salary for Messrs. W. D. Esser,
H. J. Helmer and V. P. Schumacher, Assistant Examiners, from $2,400 to
$2,600 per annum, and for J. E. Freed, Statistician and Analyst, from
$2,200 to $2,500 per annum, the positions being "appraised" positions
in the bank's personnel classification plan. The Committee recommended
that the salary increases be approved in view of the fact that the sala—
ries recommended are within the salary ranges approved by the Board for
similar positions in other Federal reserve banks.

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading

as follows:

"In accordance with Acting Comptroller Awalt's recommenda—
tion, the Federal Reserve Board approves a reduction in the
"present common capital stock of "The First National Bank of Elizabethville, Elizabethville, Pennsylvania, from $25,000 to $5,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of $20,000 of new common stock and $50,000 of convertible preferred stock to local interests, such preferred stock to be sold at a premium of $25,000 but to be retirable at par, and which also provides that the released capital shall be used to eliminate unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of February 27, 1935.

"Although Mr. Awalt's memorandum does not so state, it is understood from your files that the $25,000 derived from selling the convertible preferred stock at a premium will also be used to eliminate unsatisfactory assets."

Approved.

Memorandum dated February 23, 1935, from Mr. Carpenter, Assistant Secretary, reading as follows:

"Since the adoption of the Retirement System of the Federal Reserve Banks none of the temporary employees of the Federal Reserve Board has been admitted to membership in the system. In 1934 the retirement committee gave consideration to the question whether temporary employees should become members of the system and, recognizing that frequently employees who are taken on temporarily are later employed on a permanent basis, advised in a letter dated April 11, 1934, of the committee's decision as follows:

'It was decided, therefore, to adopt a rule which would give any employing bank the option in the case of employees whose service was expected to be temporary, of enrolling them for immediate membership or for deferred membership as the bank might prefer. In order to provide for deferred membership a special enrollment blank has been prepared, a small supply of which is being sent you. It is intended that this enrollment blank shall be executed at the time employment begins, and it provides by its terms that the employee make application to be included in the membership of the Retirement System on and after the first day of the month following the completion of three months of service. The banks are requested to have these blanks completed at the time of employment, but to hold them in the custody of the bank until the expiration of the three months service, and if the employee is then still in the service, to forward them to the Retirement System so that enrollment can be made as at the first day of the
"Following month. If at the expiration of three months of service it is definitely known that employment will cease as of some date which may be determined thereafter, the Retirement Committee will give consideration to applications to exempt such employees from membership in the System, but in general it is the Committee's view that if at the end of three months the employee is still in service and it is not possible definitely to state a time when service will end, it will be more desirable to have such employee enrolled as a member even though thereafter he separates from the service. The use of this form and method with respect to temporary employees is not compulsory. Any bank is at liberty to include all its employees, temporary or otherwise, in the System from the date of employment if it so elects.

"In accordance with the above, an enrollment blank was executed by each temporary employee of the Board, and where the employment extended beyond a three months' period the retirement committee was requested to exempt the employee for a further period. All of these requests have been granted.

"Under date of February 16, 1935, Mr. Smead recommended the temporary employment for a period of six months of Mr. Edgar B. Barton as a file clerk, subject to his passing a satisfactory physical examination, it being Mr. Smead's thought that, inasmuch as there is a strong possibility that Mr. Barton will be placed on a permanent basis at the end of the six months' period, he should be given a physical examination immediately and, if the examination is found satisfactory, he should be made a member of the retirement system in order that he might be given credit for service from the beginning of his employment. Mr. Smead's recommendation was approved by the Federal Reserve Board, and as there are at the present time five temporary employees in the Division of Research and Statistics whose employment on a permanent basis is being contemplated, the question is raised as to the desirability of establishing a uniform procedure with regard to the admission of temporary employees to the retirement system.

"In order to avoid any possible criticism or appearance of favoritism, it is believed that a uniform procedure is desirable and it is recommended, therefore, that, in accordance with the procedure suggested by the retirement committee, each temporary employee be required to fill out the special enrollment blank provided and if, at the end of a three months' period, consideration is being given to his permanent employment, he be required to submit to a physical examination, and that, if the examination be satisfactory, the enrollment blank be forwarded to the retirement committee so that enrollment of the employee can be made as at the first day of the following month. If the report on the
"Physical examination were unsatisfactory, the employment would continue on a temporary basis for the remainder of the period for which the temporary appointment was made and the retirement committee would be requested to exempt him from membership in the system. Under this procedure the head of the division in which the person is employed would advise this office in writing at the end of each three months' period during the temporary employment whether or not the person is being considered for permanent employment.

"Where no consideration is being given at the end of a three months' period to the permanent employment of the individual, there would seem to be no reason why the Board should incur the expense involved in a physical examination, and it is recommended that in such cases the retirement committee be requested to exempt such employees from membership in the System."

Approved.

Letter dated March 6, 1935, approved by four members of the Board, to the governors of all Federal reserve banks, reading as follows:

"In order that the Federal Reserve Board may have information as to the extent to which different lines of business and industry have applied for credit under authority of Section 13b of the Federal Reserve Act, and as to the maturities of loans made under the authority of that Section, it will be appreciated if you will furnish the Board data as of February 27, 1935, regarding such advances in the form called for by the inclosed schedules.

"One of the schedules calls for a classification of applications (for advances and commitments) received and applications approved, according to type of business or industry. Any businesses or industries which do not fit into the classification as it stands should be shown separately under the respective general heads against the item 'other (specify)'.

"The other schedule calls for a classification according to maturities of industrial advances actually made, with separate totals for those payable in installments. Loans evidenced by a number of notes with successive maturities should be classified as payable in installments, the maturity of the last note being considered the maturity of the loan as a whole."

Approved.

Letter to Mr. Walsh, Federal Reserve Agent at the Federal
Reserve Bank of Dallas, reading as follows:

"This refers to your letter dated January 9, 1935, regarding the request of the Southern Arizona Bank and Trust Company, Tucson, Arizona, for an expression of the Board's views as to whether certain transactions constitute withdrawals from savings deposits requiring the presentation of the passbooks.

"In the first case, it is understood that a few customers of the Southern Arizona Bank and Trust Company have left with the Note Department and Escrow Department of the bank instructions to charge their savings accounts with interest and/or payments due on their notes or escrows as they mature. The bank wishes to know whether or not the Board regards such transactions as being withdrawals requiring the presentation of the passbooks in each instance in order that the accounts may be classified as savings deposits. In the opinion of the Federal Reserve Board, charges against savings accounts pursuant to such instructions constitute payments to the depositor or his designee, and should be regarded as withdrawals from the savings deposits requiring the presentation of the passbooks in each instance.

"In the second case, it is understood that the bank wishes to know whether it is permissible for it to charge to its customers' savings accounts, without the presentation of the passbooks, out-of-pocket expenses incurred by the bank in connection with these accounts, such as costs of telegrams, exchange charges and postage. It is the opinion of the Federal Reserve Board that such charges do not constitute withdrawals within the meaning of the applicable provisions of the Board's regulations, and, accordingly, that such charges may be made by the bank without the presentation of the passbooks."

Approved.

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

"Reference is made to Mr. Dillistin's letter of February 6, 1935, with regard to a possible violation of the provisions of section 5209 of the Revised Statutes of the United States at the Chemical Bank & Trust Company, New York, New York.

"From the information submitted it appears that the Chemical Bank & Trust Company executed acceptances amounting to $168,550.13 under a credit granted A. Levy Bankgesellschaft, Cologne, Germany, and that in settlement of the liability for
"such acceptances the Chemical Bank & Trust Company accepted 416,655.92 registered marks, which at the rate of 2.472, said to be the Berlin middle rate at the time of settlement, were the equivalent of $168,550.13 and were set up on the books of the Chemical Bank & Trust Company at that figure, although the bank could have realized only approximately $88,500 had the registered marks been sold at the current market. It has been noted that the examiner stated that the entries had not been made with intent to deceive, that the bank considers that the cost of the 416,655.92 registered marks is represented by the acceptance account of $168,550.13, and that the bank hopes to work out some of the apparent loss through the registered mark account.

"In view of the facts set forth above, it does not appear that the transaction is analogous to the transactions referred to in the Board's letter of May 7, 1934, X-7889, or that the entries were made in an attempt to deceive. Accordingly the Board concurs in the views of your office that the matter is not one which should be reported to the Department of Justice as a possible criminal violation. It is assumed, however, that the registered mark account will be appraised from time to time as are other assets of the bank and that appropriate measures will be taken to eliminate estimated losses."

Approved.

Letter dated March 6, 1935, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of February 23, 1935, transmitting the request of the Glasgow Savings Bank, Glasgow, Missouri, for permission to transfer to its general reserve for contingencies account the amount of $11,333, representing the balance of a special reserve for depreciation in securities which was established at the time of the bank's admission to the Federal Reserve System in accordance with the provisions of membership condition numbered 15, which reads in part as follows:

'* * * likewise prior to admission to membership, shall establish a special reserve of at least $24,122, for the purpose of removing any losses which may develop because of depreciation existing in such bank's holdings of state, county and municipal securities also as shown in such examination report, and such reserve shall not be used for any other purpose except with the permission of the Federal Reserve Board.'
"It is noted that the special reserve covered in full the depreciation in the bank's holdings of State, county and municipal securities as of April 11, 1933, date of the examination made in connection with its application for membership, that the institution has previously applied $12,789 of the special reserve to the carrying value of such securities and that the report of examination of the bank as of February 6, 1935, shows a net appreciation in securities of approximately $14,200, with no assets classified as estimated losses and only $400 as doubtful.

"In view of all the circumstances, including the fact that the bank's holdings of State, county and municipal securities now appear to be carried at less than market value, and in accordance with your recommendation, the Board approves the request of the Glasgow Savings Bank for permission to transfer to its general reserve for contingencies account the balance remaining in the special reserve account which was established in accordance with the provisions of membership condition numbered 15, and it is requested that you advise the bank accordingly."

Approved.

Letter dated March 6, 1935, approved by five members of the Board, to Mr. Otis B. Johnson, Secretary of the Federal Trade Commission, reading as follows:

"Upon receipt of your letter of February 21, 1935, a search was made of the Board's files for a record of the transmittal to the Federal Trade Commission of the files and other records of the Capital Issues Committees appointed in 1918. The files indicate that in 1919 the records of the Capital Issues Committees held in Washington were turned over to your commission, and in 1922 there were forwarded to you the minutes of the voluntary committee appointed by the Federal Reserve Board. There was no indication, however, that a request had ever been made that the records of the subcommittees be forwarded to you and, upon taking the matter up informally with two Federal reserve banks, it was found that the records of the subcommittee are still on file at each of the banks.

"It is assumed that such is the case at the other Federal reserve banks, and a letter is being addressed today to the Federal reserve agent at each Federal reserve bank requesting that the files and records of the subcommittee be forwarded to the Federal Trade Commission as soon as possible,
"with a letter of transmittal describing very briefly the nature of the records and their physical volume. A request is also being made that a copy of the agent's letter to you be forwarded to the Federal Reserve Board for its files, and it will be appreciated if you will advise this office when all of the records have been received.

"Careful search of the Board's files indicates that it is holding no files or records which should be transferred to the Federal Trade Commission in accordance with the President's proclamation of August 30, 1919."

Approved.

Letter to Mr. Joe Gover, Comanche, Oklahoma, reading as follows:

"This is in reply to your letter of February 25, 1935 in which you state that you have been defrauded of $3,500 by Pulliam and Company, a brokerage firm of Dallas, Texas, and at the conclusion of which you request the Federal Reserve Board to take some action in the matter. It is understood that under date of August 21, 1934, the Securities and Exchange Commission wrote you that four officials of the above-mentioned brokerage firm had been convicted of violation of the Securities Act and of the fraudulent use of the mails, but advised you that actions to recover losses resulting from violations of the Act must be prosecuted as civil suits by the persons interested and not by the Government.

"The Board can readily sympathize with persons who have been defrauded of their savings by fraudulent transactions in securities, but it is not empowered by law to take steps looking to the recovery of losses on behalf of such persons. Accordingly, it is with regret that the Board must advise you that it cannot be of assistance in determining your rights or in obtaining for you any recovery to which you may be entitled."

Approved.

Letter dated March 5, 1935, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of February 16, 1935, inclosing a copy of a letter dated February 15, 1935, from Mr. Edward C. Baltz, Washington, D. C., requesting reconsideration of his Clayton Act application to serve at the same
"time as director of Hamilton National Bank of Washington, as
director of Security Savings and Commercial Bank of Washington,
both of Washington, D. C., and as director and officer of
Federal Home Loan Bank of Winston-Salem, Winston-Salem, North
Carolina, which was not approved by the Board as indicated in
its letter of February 2, 1935, to you.

"The Board has reconsidered the application of Mr. Baltz
and still feels that the issuance of the permit applied for
would be incompatible with the public interest. The two
Washington banks appear to be 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, and the facts
set forth in Mr. Baltz's letter of February 15, 1935, to
Assistant Federal Reserve Agent Fry do not appear sufficiently
extraordinary to warrant the issuance of the permit. Please
advise the applicant accordingly and inform the Board whether,
in accordance with the fourth paragraph of the Board's letter
of February 2, 1935, Mr. Baltz desires to amend his application
to exclude therefrom one of the two Washington banks and, if
not, what steps he proposes to take in order to comply with the
provisions of the Clayton Act."

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]

Governor.