

A meeting of the Federal Reserve Board was held in Washington on Thursday, April 11, 1935, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Governor

Governor Eccles reported that, in accordance with the request of the Board, the Federal Advisory Council had met in Washington yesterday and that he had had a detailed discussion with the Council of its report on the proposed Banking Act of 1935. He outlined the changes which, as the result of the discussion, the Council seemed disposed to make in the report, and stated that it was understood that the report would be revised, following which it would be submitted to the Board again for consideration prior to submission to the Banking and Currency Committees of Congress. The Council desired, Governor Eccles said, to place copies of the report in the hands of the Banking and Currency Committees of the House and Senate by the middle of next week and that he had agreed to present the report to the Board as soon as received to determine whether or not the Board desired to release it. During the brief discussion which followed, some of the members present expressed the opinion that the report should be submitted by the Board to the Banking and Currency Committees

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of Congress as promptly as possible after receipt.

Governor Eccles stated that in accordance with the action taken at the meeting of the Board on April 4, 1935, inquiry had been made as to whether the proposed increase in the rate on cable transfers effected through the Havana Agency of the Federal Reserve Bank of Atlanta would result in an increase by American and Canadian banks having branches in Havana in the rates charged on cable transfers effected by them outside the Agency, but that it had not been possible to obtain any satisfactory information on that point. He said that he had reached the conclusion he would be willing to approve the proposed increase with the understanding that the Board could review its action at any time, but that a representative of the State Department had called at the Board's offices on April 10, at the suggestion of Mr. Sumner Welles, Assistant Secretary of State, and had stated that, while the economic situation in Cuba had improved greatly in the last few weeks as the result of new trade agreements relating to sugar and certain other products, the political situation was still quite delicate; that the State Department was endeavoring in a friendly way to work out plans for stabilizing the political situation which might result in general elections being held in Cuba next November; that Mr. Welles feels that it would be very desirable to avoid any action which might have a disturbing effect upon the improvement in the economic situation in Cuba; and that while he realized that it is a good deal to ask the Federal reserve banks to stand an operating loss

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and he hesitated to suggest that they do so, he felt that if the rates for cable transfers could remain unchanged until after the contemplated November elections it would be desirable.

After a brief discussion of the proposed increase in rate in the light of the position taken by the State Department, Mr. O'Connor stated that he felt the Board should not place itself in a position which would require it to accept any responsibility for creating a situation which might be disturbing to economic or political conditions in Cuba, and he moved that action on the matter be deferred in accordance with the suggestion of the State Department, and that the Federal Reserve Bank of Atlanta and the representatives of the commercial banks who conferred with Messrs. James and Newton in New York be advised accordingly.

Mr. James stated that he felt that, if Mr. O'Connor's motion were adopted, the Board should take a definite position in the matter of the Havana Agency and declare the agency to be a necessity and place its operation on a System basis under which the operating income or loss would be prorated among the twelve Federal reserve banks with the Federal Reserve Bank of Atlanta designated to provide the proper supervision and management of the agency.

It was pointed out that, in accordance with the action taken at the meeting of the Board on April 4, copies of a contract providing for the prorating among the twelve Federal reserve banks of any extraordinary losses incurred at the Havana Agency resulting from revolutions, riots, etc., had been mailed to all Federal reserve banks during the week; that if Mr. James' suggestion were adopted it would require the drawing of a new contract; that if in November it should

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be decided to increase the rate on cable transfers the agency might not be operated at a loss; and that if the increased rate should not be put into effect the matter of providing for the operating losses at the agency could be considered further at that time.

At the conclusion of the discussion, Mr. O'Connor's motion was put by the chair and carried unanimously.

The Governor stated that during the latter part of December, 1934, copies of the estimates for the budget of the Board for the year 1935 were furnished to all of the members of the Board but that, because of being engaged with a number of other important matters, he had been unable to give consideration to the matter until recently. He said that he had had an investigation of the proposed budget made including the salary increases recommended by the heads of the various divisions and that he wished to recommend to the Board approval of the budget as submitted.

Mr. Miller referred to the fact that the by-laws of the Board provide that the executive committee shall prepare annually a budget of proposed expenditures, and suggested that such procedure should be followed in connection with the consideration of budgets for future years.

After a brief discussion, it was understood that Vice Governor Thomas and Mr. James, as the other members of the executive committee, would review the proposed budget again and that a special meeting of the Board would be called tomorrow morning at 11 o'clock to take action with regard thereto.

Governor Eccles referred to a memorandum submitted to the

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Board under date of March 30, 1935, by Mr. James which contained a summary of data forwarded to the Federal Reserve Board by the Federal reserve banks with regard to the salaries of employees of the Federal reserve banks on January 1, 1934 and January 1, 1935, which showed that the average salaries of employees had increased \$30; that increases had been granted to 34.5% of the banks' employees, and that the average rate of turnover of employees at the banks during the year 1934 was 9.6%. Governor Eccles stated that the memorandum indicates that the turnover and increases in salaries for employees at some of the banks are out of line with other Federal reserve banks and that it might be well to develop information, on the basis of the volume of business handled at the respective banks, as to the relative efficiency of the banks.

Mr. James stated that a meeting of representatives of the Federal reserve banks will be held in Chicago on April 17, and that as a result of that meeting major changes in the personnel classification plans of the banks may be recommended and submitted to the Federal Reserve Board for approval. He also said that the Federal Reserve Board on various occasions in the past had taken steps which had resulted in reductions in the salary expense of the banks.

Governor Eccles said he felt that there were changes in personnel and readjustments in salaries which should be made at some of the Federal reserve banks and that he hoped it would be possible to develop information which would indicate the relative efficiency of

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the respective banks before the salary recommendations for the year 1936 are submitted to the Federal Reserve Board for approval.

Mr. Miller stated that it was his feeling that the Federal Reserve Board had been vigilant in the past in the matter of salaries of officers and employees at the Federal reserve banks and that he doubted that any public or quasi-public organization could show a better record over a period of twenty years than the Federal Reserve System had shown.

At this point Mr. O'Connor left the meeting.

There was then presented the Clayton Act application of Mr. E. L. Copeland for permission to serve at the same time as a director of The Merchants National Bank of Topeka and The State Savings Bank, both of Topeka, Kansas, and it was pointed out that the banks involved are located in the same community, that the national bank is primarily a commercial bank and the State bank a savings bank, that they cater to both commercial and savings business and are so located as to be in a position to compete substantially, but that the assistant Federal reserve agent had expressed the opinion that they were not active competitors, and had recommended that the permit be granted. Governor Eccles referred to the Board's letter of January 9, 1935, setting forth the future policy of the Board with regard to the approval of Clayton Act applications and stated that he was of the opinion that adherence to that policy required that Mr. Copeland's application be denied. Mr. Thomas stated that he concurred in the assistant Federal reserve agent's opinion that the banks were not active competitors and had

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recommended that the application be approved.

After a general discussion of the question of interlocking bank directorates, it was voted to issue a permit to Mr. Copeland to expire on January 14, 1936. On this action Governor Eccles voted "no".

Reference was then made to the Clayton Act applications filed by Mr. Albert S. Gatley for permission to serve as director and officer of the Lincoln National Bank and as director of the Bank of Commerce & Savings, both of Washington, D. C., and Mr. Thomas M. Beavers for permission to serve as a director of the Hamilton National Bank and the Bank of Commerce & Savings, both of Washington, D. C. In connection with Mr. Gatley's application it was pointed out that in 1916 he was serving the two banks involved at which time he made application for permission to serve as director of each; that the papers accompanying his application showed that he was also serving as an officer of the national bank; that the Board granted him a hearing upon the question whether the banks were in competition and, after the hearing, granted him a permit to serve as director of both banks; that the present application would not have been necessary if the Board in 1916 had issued a permit covering the relationships actually existing; and that, therefore, the denial of the present application would require the applicant to sever his connection with one of the banks and would be tantamount to revoking the existing permit under which he had been serving for nineteen years. It was also stated that Mr. Beavers had been serving the Bank of Commerce & Savings since 1931 and the national bank since January 1935; that the banks are nine blocks apart and in different

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business communities, the national bank being essentially a commercial institution and the savings bank catering more particularly to small business concerns and Government employees; and that, although it would appear that the banks are so located as to be in a position to compete, the Federal reserve agent and the Chief National Bank Examiner are both of the opinion that the two banks are not in substantial competition. Mr. Thomas had recommended the issuance of permits to the applicants to expire on January 14, 1936.

It was voted to issue permits to Messrs. Gatley and Beavers to expire on January 14, 1936.

Consideration was also given to the Clayton Act applications filed by Mr. Miles W. O'Brien for permission to serve as a director and officer of the City National Bank of South Bend, and as director of the Citizens Trust and Savings Bank, both of South Bend, Indiana, and Mr. Ira W. Ciralsky for permission to serve as director of the City National Bank of South Bend and the Citizens Trust and Savings Bank of South Bend. It was stated that the banks involved occupy the same banking quarters; that the national bank does a commercial banking business and no trust or savings business, whereas the State bank does a savings and trust business and has no commercial banking business; and that the Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago is of the opinion that the banks are not natural competitors, although it appears that both make real estate loans and loans secured by stock and bond collateral. It was also stated that, while the banks are in a position to compete, they have

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occupied the same quarters for several years and there is no indication of direct competition except for loans to the extent stated. Mr. Thomas had recommended that permits be issued to the applicants to expire on January 14, 1936.

It was voted to issue permits to Messrs. O'Brien and Ciralsky to expire on January 14, 1936.

Reference was made to an application received from the Woodside National Bank of New York, New York, New York, for permission to reduce its common capital stock, in connection with which was presented the question as to whether the Globe Financial Corporation was a holding company affiliate of the national bank. The corporation owned 1,942 shares of the 4,000 outstanding shares of the national bank and at the 1935 election of directors 1,121 shares were voted but the corporation did not vote any of the shares owned by it. Counsel had attached to the file a memorandum dated April 1, 1935, recommending that the Board take the position that the corporation was a holding company affiliate of the bank, since it owned a number of shares greater than the number voted by others at the last election of directors, and, therefore, would be able to control the next election, assuming that the same number of shares were voted by others at the next election. Mr. Hamlin had attached to the file a memorandum dated April 5, 1935, expressing the opinion that the corporation was not a holding company affiliate because it owned a minority of the stock of the bank, did not vote the stock owned by it at the last election, and

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therefore did not control the election. Mr. Thomas had indicated on Mr. Hamlin's memorandum that he concurred in the opinion.

Mr. James moved that the Board adopt Mr. Hamlin's opinion, and that in accordance therewith, it rule that the Globe Financial Corporation is not a holding company affiliate of the Woodside National Bank.

Carried.

Governor Eccles called attention to a memorandum dated March 15, 1935, from Mr. Smead, Chief of the Division of Bank Operations, in which he stated that, with the retirement of Government bonds bearing the circulation privilege and the discontinuance of the circulation privilege on other bonds, it would not be possible for the Federal reserve banks to issue Federal reserve bank notes after the President issues a proclamation declaring that the emergency recognized in his proclamation of March 6, 1933, no longer exists, and that it was desirable for the Federal Reserve Board to consider what disposition should be made of the approximately \$722,000,000 of unissued Federal reserve bank notes now on hand which were printed at a cost of between \$280,000 and \$300,000, which amount would be saved if the notes were put into circulation instead of printing Federal reserve notes to take their place. The memorandum also set forth reasons why it did not appear feasible to effect the saving referred to unless (1) immediately upon issuing the notes the Federal reserve banks should deposit lawful money with the Treasury for their retirement and (2) the Treasury would agree to use such funds solely for the purpose of redeeming and retiring Federal reserve bank notes. Governor Eccles also called

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attention to a memorandum dated April 3, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, setting forth reasons why, in his opinion, it would not be desirable to pay out the Federal reserve bank notes referred to.

During the ensuing discussion, the opinion was expressed by the members present that as long as the President recognizes the continuing existence of an emergency it is possible for the Federal reserve banks to issue Federal reserve bank notes on security other than Government bonds bearing the circulation privilege and that the Federal reserve bank notes referred to should be held in reserve until the emergency is declared by the President to be ended, when they should be canceled and destroyed.

Mr. James moved that the matter be laid on the table without action.

Carried.

Mr. Szymczak reported that Mr. Rounds, Deputy Governor of the Federal Reserve Bank of New York, had called him on the telephone and had advised that the Federal Reserve Bank of Chicago had refused to take a participation in the amount of \$1,200,000 in the proposed industrial loan to the Hudson Motor Car Company unless the outside financing institutions participating in the loan would agree to subordinate their claims until the participations of the Federal Reserve Banks of New York and Chicago in the loan had been repaid; that the outside financing institutions were unwilling to agree to such subordination; and that Mr. Roy D. Chapin, President of the Hudson Motor

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Car Company, had gone to Chicago where he had conferred with the board of directors of the Federal Reserve Bank with the result that the directors had indicated that they would consider a participation of \$600,000. Mr. Szymczak said that he understood from Mr. Rounds that the board of directors of the Federal Reserve Bank of New York, at its meeting today, would give consideration to whether the New York bank should take the \$600,000 participation in the loan declined by Chicago, and in the event they decide to do so the board of directors of the Federal Reserve Bank of Chicago would meet tomorrow and reconsider the matter on the basis of a participation by the Chicago bank in the amount of \$600,000.

The Board then acted upon the following matters:

Telegram dated April 11, 1935, from Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, advising that, at the meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated April 10, 1935, approved by five members of the Board, to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Your telegram. Board approves for your bank, effective immediately, rate of 1% per annum on commitments to make industrial advances."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal

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Reserve Bank of New York, reading as follows:

"Reference is made to the report of examination of the Lewis County Trust Company, Lowville, New York, as of January 21, 1935, and to the supplementary information submitted therewith.

"After allowance for estimated losses, doubtful assets, and depreciation in securities and without giving consideration to a directors' guaranty of \$203,840 secured by collateral having an estimated value of \$201,240, the report of examination reflects a net sound capital of \$136,600 as compared with deposits of \$2,088,700. It is noted that in connection with the purchase from the bank by the Reconstruction Finance Corporation on November 13, 1934, of \$200,000 capital debentures and prior to the examination of January 21, 1935, the bank reduced its common capital by \$100,000 using the proceeds to remove unsatisfactory assets. The report of examination, however, reflects estimated losses of \$19,800 and net depreciation in lower grade bonds, stocks and defaulted bonds of \$185,500, a total of \$205,300, as compared with common capital, surplus, undivided profits and reserves aggregating \$197,000. It will be noted that the estimated losses and depreciation in lower grade securities are sufficient to eliminate the bank's common capital and to impair the debentures sold to the Reconstruction Finance Corporation by \$8,300, without giving consideration to the directors' secured guaranty. A guaranty, however, is not considered in any sense a part of a bank's permanent capital structure and your examiner has recommended that a portion of the guaranty sufficient to restore the bank's capital be converted into capital. It will be appreciated if you will advise what plans, if any, the bank has in this connection and for eliminating the unsatisfactory assets referred to in your letter of March 20, 1935, addressed to the president of the bank.

"The large amount of depreciation in the bank's investment account indicates the need for its close supervision and the desirability of improving the quality of the securities held, as opportunities are offered. The account also reflects a heavy investment in stocks, which, as you know, the Board does not feel are suitable for the investment of funds of member banks.

"Among other criticisms listed by the examiner are the large aggregate of loans to officers, directors and their interests, including loans classified as doubtful and loss, and the inadequate credit data.

"Please keep the Board advised of any improvements effected in the general condition of the bank."

Approved.

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Memorandum dated April 2, 1935, from the Division of Examinations, with regard to the unsatisfactory condition of The Birmingham Trust and Savings Company, Birmingham, Alabama. The memorandum had been circulated among the members of the Board for their information and Mr. James had attached a memorandum to the file under date of April 8, 1935, stating that the condition of the bank had been discussed by him with Governor Newton of the Federal Reserve Bank of Atlanta and Messrs. L. P. Talley and J. F. Herson of the Reconstruction Finance Corporation, and a tentative agreement was reached between Mr. Talley and Governor Newton that arrangements would be made in the very near future for bringing certain of the directors into a meeting at which time some very definite steps would be taken; that, in Mr. James' opinion, the Board need give itself no special concern about this particular institution at the present time; and that he recommends that in so far as the Board is concerned it allow the matter to remain in status quo until the plans agreed upon by Messrs. Talley and Newton shall have been tried out.

Approved.

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

"Receipt is acknowledged of your letter of April 3, 1935, with reference to the proposed reduction in the common capital stock of 'The Citizens National Bank of Cheboygan', Cheboygan, Michigan, from \$50,000 to \$25,000 and the sale of \$50,000 of Class A preferred stock to the Reconstruction Finance Corporation and \$25,000 of Class B preferred stock to local interests, which was approved by the Board on August 28, 1934.

"You now advise that the original plan of recapitalization has been amended to provide for the sale of \$18,000 of Class B

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"preferred stock instead of \$25,000, as formerly contemplated.

"In accordance with your recommendation, the Board amends its previous approval to provide for a reduction in the amount of Class B preferred stock to be sold locally, from \$25,000 to \$18,000, as set forth in your letter of April 3, 1935, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

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

"Attached is a copy of a letter dated March 28, 1935, from the Department of Banking of the State of Montana to the Federal Deposit Insurance Corporation, seeking approval of an application of the 'Security Trust and Savings Bank', Billings, Montana, to retire \$35,000 of the \$75,000 capital debentures held by the Reconstruction Finance Corporation. The letter has been referred by the Federal Deposit Insurance Corporation to the Federal Reserve Board for reply and it will be appreciated if you will take up the matter with the State Banking Department.

"The State Banking Department has approved the retirement of \$35,000 of the bank's \$75,000 capital debentures outstanding, and in the letter to the Federal Deposit Insurance Corporation calls attention to the satisfactory condition of the bank and the improvements effected since the sale of the capital debentures.

"The report of examination as of February 11, 1935, reflects a strong liquid position and a sound asset position with estimated losses of only \$12,100, which were eliminated during the examination, no assets classified as doubtful and only \$24,500 classified as slow, no other real estate, and appreciation of \$4,600 in securities. However, on the date of the examination as of February 11, 1935, the ratio of net sound capital to deposits was only 9.8% and the deposits of the bank show an increase of more than \$600,000 during the year 1934, with favorable indication, according to the comments of the examiner, for further substantial increases in the future. It would appear, therefore, that, as a matter of sound banking policy, the question of reducing the present capital structure should be given more than passing consideration and the desire for the savings which would accrue to the bank as a result of its contemplated action in this connection should not be the determining factor.

"As you know, for some time the Board has prescribed the following standard condition of membership:

"15. Such bank shall maintain an amount of paid-up and unimpaired capital and unimpaired surplus which, in the judgment

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"of the Federal Reserve Board, will be adequate in relation to its total deposit liabilities, having due regard to the general principle that a bank's capital and surplus ordinarily should not be less than one-tenth of the average amount of its aggregate deposit liabilities and, in some circumstances, should be more than one-tenth of such amount.

"The Security Trust and Savings Bank is not subject to such a condition, nor is it subject to a condition of membership requiring the Board's approval of a reduction of capital. It is felt, however, that in view of all of the circumstances, it would be appropriate to discuss with the State Banking Department the desirability of maintaining an adequate ratio of capital to deposits and suggest that no action be taken with respect to the retirement of capital debentures until the amount which may be retired can be offset with a corresponding increase in capital stock. Your views in this connection will be appreciated and advice as to the action the bank finally takes in the matter is requested."

Approved.

Letter dated April 10, 1935, approved by five members of the Board, to Mr. Crawford M. Bishop, Washington, D. C., reading as follows:

"This refers to your letter dated March 19, 1935, regarding the proposed organization of a corporation under the provisions of section 25(a) of the Federal Reserve Act for the purpose of assisting in financing the construction of the unfinished portion of the Mexican section of the Inter-American Highway from the United States to Panama.

"It is understood from your letter that the construction of the above highway will involve an expenditure by the Republic of Mexico of approximately \$20,000,000, of which it is estimated one-half will be spent in the United States on the purchase of machinery and materials, and that a somewhat larger amount will also be expended by the six countries of Central America, involving purchases in the United States of a similar proportion of the total expenditure.

"The corporation proposed to be organized under the provisions of section 25(a) of the Federal Reserve Act would have a minimum capital of \$2,000,000 and would be organized for the purpose of assisting in the financing of the above project, either by the sale of its debentures in the open market or to the Reconstruction Finance Corporation. The proceeds of the sale

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"of such debentures would be used primarily to pay for purchases made in the United States of machinery and materials. The manufacturers of such machinery and materials would be paid in cash, and the proposed corporation would extend credit to the Mexican Government and the other governments involved. As security for the loans or advances made from time to time to the Mexican Government, the proposed corporation would receive Mexican Federal Treasury Certificates of a maturity corresponding to the credit extended, but not exceeding five years in the case of purchases of machinery in the United States for export to Mexico. The proposed corporation would also have a specific pledge of the Federal gasoline taxes, and would establish branches in Mexico and the other countries involved to act as depositaries for the borrowing Governments of the pledged revenues.

"It is understood that you desire to be advised whether it would be legally possible under the provisions of section 25(a) of the Federal Reserve Act to organize a corporation of the kind described for the purposes stated above. On the basis of the facts stated herein it is the opinion of the Federal Reserve Board that it would be legally possible to organize such a corporation for the purposes stated above, but no opinion is expressed by the Board at this time as to whether the Board would approve the organization of a corporation for such purposes. As you are aware, the approval or disapproval of the organization of such a corporation rests within the discretion of the Board and before passing upon this question the Board would require, in accordance with the requirements of its Regulation K, that organization papers be submitted with full information as to all of the details of the transactions proposed to be carried on by the corporation, the qualifications of those proposed as organizers and other pertinent facts.

"You also asked to be advised whether, in case a portion of the capital of the proposed corporation were subscribed by corporations or persons in Mexico or other Central American country, the proposed corporation would be permitted to keep a portion of its capital on deposit with the foreign branches of such corporation without transferring such capital funds to the United States. There appears to be no requirement that the capital funds of such a corporation be kept in any particular location and the Federal Reserve Board does not at this time see any objection to keeping a portion of the capital funds of such proposed corporation on deposit with its foreign branches, provided that the countries in which such branches may be located do not have restrictions upon the removal of such funds and that all of such funds would be subject to the claims of all creditors wherever located. This question, however, like the other question presented cannot be definitely answered by the Board at this time but would have to be given further consideration on the basis of

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"a full and detailed statement of all the facts with respect to the proposed corporation."

Approved.

Memorandum dated April 3, 1935, from Mr. Smead, Chief of the Division of Bank Operations, transmitting the Annual reviews submitted by the Federal reserve agents as of December 31, 1934, in compliance with the Board's letters of December 4, 1926, (X-4739), and October 5, 1933 (X-7629), covering each member bank located in outlying sections of central reserve and reserve cities, except New York City, which had been authorized by the Federal Reserve Board to carry reduced reserves on demand deposits, and stating that all of the Federal reserve agents had recommended that the present reserve requirements of these banks be continued, and that, in connection with the annual review of member banks granted permission to carry reduced reserves in the Chicago district, the board of directors of the Federal Reserve Bank of Chicago, at its meeting on January 25, 1935, had voted to recommend to the Federal Reserve Board that the Main State Bank, Chicago, Illinois, which was admitted to membership on November 27, 1933, be permitted to carry a 10 per cent reserve against demand deposits instead of 13 per cent inasmuch as the character of its business is typical of banks located in and serving other outlying communities in Chicago. The memorandum recommended that the Federal reserve agents be advised that the Board approves their recommendations that all of the member banks that had authority at the end of 1934 to carry reduced reserves against demand

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deposits should continue to have such permission; and that the Main State Bank, Chicago, Illinois, be granted permission to carry a reserve of 10 per cent instead of 13 per cent against demand deposits, effective with the first weekly reserve computation period beginning after April 9, 1935. The recommendations were approved by five members of the Board on April 9, 1935.

Approved unanimously.

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

"This refers to Mr. Fry's letter of January 21, 1935, with inclosures, requesting advice as to whether the Board wishes your office in all cases to obtain certified copies of amendments to the charters of State member banks in your district even though it may involve expense to the member banks.

"As stated in its letter of December 26, 1934 (X-9060), it is desirable that the Board have among its records copies of all amendments to the charter of a State member bank in order that such records may contain complete information regarding the corporate powers and status of the bank, and it may be that in most instances the bank could furnish the requisite copies from its own records. While the Board desires such copies to be accurate and complete, its letter of December 26, 1934, does not require that they be certified copies and it has been noted that in some instances you have had copies made from uncertified copies of amendments in the records of the Reconstruction Finance Corporation. It would seem that it would be necessary to obtain certified copies only in those instances where your counsel is doubtful that the copies obtained from the bank or from the Reconstruction Finance Corporation are complete or accurate, and, even in those cases, it might be possible to communicate with the appropriate State authorities to determine whether or not copies of all amendments have been obtained without requiring that such copies be certified. In this connection, the Board contemplates only that you and your counsel shall be reasonably certain that accurate copies of the amendments to the charters of State member banks are obtained.

"In the circumstances, it would not seem that the obtaining of copies of such amendments would place an unwarranted burden of expense upon the member banks and the Board has not received

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"any indication from any of the other Federal Reserve Agents that they are experiencing difficulties in this respect. However, if in any case you should find that a member bank will be put to an undue amount of expense, the Board will be glad to give consideration to the facts involved and your recommendation in the particular case before the copies are obtained.

"It has been noted that your counsel has referred to the statement contained in the last sentence on page two of the Board's letter of December 26, 1934, and has stated that 'this seems to contemplate that the Federal Reserve Agent should require the filing of certified copies of the proceedings by which the amendments to the certificates of incorporation or charters were granted'. The Board's letter, however, did not contemplate that your office should obtain in all cases copies of the underlying documents, such as proceedings of the stockholders, or that such copies should be certified, but contemplated that advice from the State authorities would be a usual and feasible method of obtaining the desired information. However, it will be sufficient if your counsel secures in some other manner advice satisfactory to him that appropriate preliminary action has been taken looking towards the amendments."

Approved.

Letter to Governor Fleming of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of April 3 requesting authority to continue your contributory group life insurance policy indefinitely as long as the cost to the Federal Reserve bank does not exceed \$500 a year. Inasmuch as it is not possible to determine before the end of the policy year the premium rate to be charged during the forthcoming year, the Board will interpose no objection to your continuing your contributory group life insurance contract indefinitely, or until such time as you are otherwise advised by the Board, provided the annual cost thereof to the bank is not in excess of \$500."

Approved.

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

"Reference is made to your letter of April 2, 1935, with inclosures, submitting, in accordance with the fourth paragraph of the Board's letter of February 2, 1935, to you, the request

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"of Mr. Edward C. Baltz, Washington, D. C., to amend his Clayton Act application to exclude therefrom Security Savings and Commercial Bank of Washington, Washington, D. C.

"It is noted that Mr. Baltz has resigned as a director of Security Savings and Commercial Bank of Washington and that his resignation was accepted at a meeting of the board of directors of that bank held on March 27, 1935.

"The Board has approved the application of Mr. Baltz, as amended, and there are inclosed the original and copies of a Clayton Act permit covering his service as director of Hamilton National Bank of Washington, Washington, D. C., and as director and officer of Federal Home Loan Bank of Winston-Salem, Winston-Salem, North Carolina, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved, and a copy for your files.

"When the permit is sent to the applicant and copies thereof to the banks involved, please advise them that the permit has been issued so as to expire at the close of January 14, 1936, as there is now pending before the Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

Letters to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. Edward S. Agor, to serve at the same time as a director and officer of The Mahopac National Bank, Mahopac, New York, and as a director of The Putnam County National Bank of Carmel, Carmel, New York, for the period ending January 14, 1936.

Mr. Willis H. Ryder, to serve at the same time as a director of The Mahopac National Bank, Mahopac, New York, and as a director of The Putnam County National Bank of Carmel, Carmel, New York, for the period ending January 14, 1936.

Mr. S. H. Collier, to serve at the same time as a director and officer of The First National Bank of Mercedes, Mercedes, Texas, as a director of The First National Bank of Weslaco, Weslaco, Texas, and as a director of the American State Bank and Trust Company, Edinburg, Texas, for the period ending January 14, 1936.

Mr. H. B. Seay, to serve at the same time as a director and officer of The First National Bank of Mercedes, Mercedes, Texas, as a director and officer of The First National Bank of Weslaco, Weslaco, Texas, and as a director and officer of the American State Bank and Trust Company, Edinburg, Texas, for the period ending January 14, 1936.

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Mr. C. L. Skaggs, to serve at the same time as a director of The First National Bank of Mercedes, Mercedes, Texas, and as a director and officer of The First National Bank of Weslaco, Weslaco, Texas, for the period ending January 14, 1936.

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. 5.</u> The Second National Bank of Towson, Towson, Maryland	1	1
<u>District No. 9.</u> The First National Bank of Rib Lake, Rib Lake, Wisconsin	15	15
<u>District No. 10.</u> Lusk State Bank, Lusk, Wyoming	3	3
	<u>3</u>	<u>3</u>
	Total	19
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u> The First National Bank and Trust Company of Saugerties, Saugerties, New York	3	
Lackawanna National Bank, Lackawanna, New York	<u>210</u>	213
<u>District No. 6.</u> The First National Bank of Opp, Opp, Alabama	60	
The Citizens National Bank of Morgan City, Morgan City, Louisiana	<u>30</u>	90
<u>District No. 7.</u> The Holland City State Bank, Holland, Michigan	65	65
<u>District No. 9.</u> Citizens State Bank of St. Charles, Minnesota, St. Charles, Minnesota	19	19
<u>District No. 10.</u> Drovers National Bank in Kansas City, Kansas City, Missouri	480	480

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Applications for SURRENDER of Stock: (Continued)

Shares

District No. 11.

State National Bank of Alpine,
Alpine, Texas

42	42
<u>Total</u>	<u>909</u>

Approved.

Thereupon the meeting adjourned.

Orestes Morrill
Secretary.

Approved:

M. S. ...
Governor.