

A meeting of the Federal Reserve Board was held in Washington on Wednesday, May 1, 1935, at 11:00 a. m.

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

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

Mr. Thomas referred to section 328 of the proposed Banking Act of 1935 which would repeal section 8A and amend section 8 of the Clayton Act and to a proposed substitute which had been drafted and submitted to the Board members individually for their consideration.

After some discussion, Mr. Miller moved that it be the sense of the Board that all interlocking bank directorates should be prohibited, and that Counsel be requested to draft an amendment to the law which would bring about that result.

Mr. James expressed agreement with the position taken in Mr. Miller's motion.

Mr. Hamlin moved that Mr. Miller's motion be laid on the table.

Carried, Messrs. Miller and James voting "no".

Mr. Szymczak moved that the question be referred to Messrs. Thomas and Hamlin with the understanding that they would confer with the legal division and submit, for consideration at the next meeting of the Board, a recommendation as to the position that the Board should take in the matter.

Carried.

Governor Eccles presented the report of the committee consisting

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of Messrs. Thomas, James and Szymczak to which the Board's budget for the year 1935 had been referred for further consideration. The report which was dated April 29, 1935, and which had been circulated among the members of the Board, recommended increases in the salaries of members of the Board's staff as follows:

SECRETARY'S OFFICE:

		<u>From</u>	<u>To</u>
L. P. Bethea	Assistant Secretary	\$7,100	\$7,300
S. R. Carpenter	Assistant Secretary	4,800	5,000
Frances S. Fitzgerald	Secretary to Assistant Secretary	3,000	3,100
Madison P. Coe	Index Clerk	2,800	2,900
Yvonne Dodd	Secretary to Mr. Morrill	2,400	2,500
Phyllis E. Stewart	Secretary to Mr. Noell	2,400	2,500
R. K. Thompson	Secretary to Mr. Bethea	2,400	2,500
Alvin C. Walters	General Assistant	2,400	2,500
J. Edward Kilgore	Administrative Assistant	2,000	2,400
Henry McDowell	Chief Messenger	1,800	1,900

OFFICE OF GENERAL COUNSEL:

G. Howland Chase	Assistant Counsel	5,500	5,750
J. Delafield DuBois	Assistant Counsel	5,500	5,750
Alfred K. Cherry	Assistant Counsel	5,500	5,750
S. Earl Seitz	Law Clerk	3,600	3,800
Sara A. Dyer	Stenographer	2,800	3,000
Wilson L. Hooff	Law Clerk	2,400	2,700
Mildred W. Dyas	Law Clerk	1,800	2,000
Grace Costinett	Stenographer	1,800	1,900
Kathleen B. Pendleton	Stenographer	1,800	2,000
Mabel Goepfert	Stenographer	1,800	2,000
Allene Herring	Stenographer	1,800	1,900

DIVISION OF EXAMINATIONS:

R. F. Leonard	Federal Reserve Examiner	8,000	9,000
C. E. Cagle	Federal Reserve Examiner	7,000	7,500
M. R. Wilkes	Federal Reserve Examiner	6,400	6,600
H. O. Koppang	Federal Reserve Examiner	5,200	5,500
R. B. Chamberlin	Federal Reserve Examiner	5,200	5,500
D. L. Crays	Federal Reserve Examiner	5,000	5,200
J. B. Crosby	Federal Reserve Examiner	5,000	5,200

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DIVISION OF EXAMINATIONS: (Cont'd)

		<u>From</u>	<u>To</u>
F. A. Nelson	Federal Reserve Examiner	\$5,000	\$5,200
W. B. Pollard	Federal Reserve Examiner	5,000	5,200
C. C. Hostrup	Federal Reserve Examiner	4,500	4,800
E. L. Brien	Federal Reserve Examiner	4,400	4,800
L. E. Skees	Assistant Federal Reserve Examiner	4,200	4,500
G. M. Goodman	Federal Reserve Examiner	4,000	4,250
J. R. Radford, Jr.	Assistant Federal Reserve Examiner	3,900	4,200
M. B. Daniels	Assistant Federal Reserve Examiner	3,600	3,800
W. J. McClelland	Assistant Federal Reserve Examiner	3,600	3,800
P. J. Winkler	Assistant Federal Reserve Examiner	3,600	3,800
G. H. Folsom	Assistant Federal Reserve Examiner	3,000	3,300
Marguerite C. Maynard	Secretary to Mr. Paulger	2,400	2,500
Edward S. Myers	Stenographer	1,800	2,000
Edward A. Sheafe	Stenographer	1,800	1,900
Julia B. Hopkins	Clerk	1,600	1,800
E. R. Millard	Federal Reserve Examiner	5,000	5,200
W. D. Dougal	Federal Reserve Examiner	4,200	4,300
Earl D. Buck	Assistant Federal Reserve Examiner	4,200	4,300

DIVISION OF BANK OPERATIONS:

Harry B. Stone	Gold Settlement Fund Clerk	2,600	2,700
F. A. Walker	Member Bank Clerk	2,500	2,600
David M. Kennedy	Member Bank Clerk	2,400	2,900
Robert E. Sherfy	Gold Settlement Fund Clerk	2,200	2,400
John R. Farrell	Federal Reserve Bank Clerk	2,000	2,200
Frances C. Earnshaw	Stenographer	1,800	1,900

DIVISION OF RESEARCH AND STATISTICS:

Frank R. Garfield	Research Assistant	4,000	5,600
Elsie Rackstraw	Librarian	3,160	3,400
Victor M. Longstreet	Research Assistant	2,800	3,400
Margaret J. Ellis	Research Clerk	2,500	3,000
Alvern H. Sutherland	Assistant Librarian	2,500	2,900
Louise C. Sissman	Research Clerk	2,200	2,600

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TELEGRAPH OFFICE:

		<u>From</u>	<u>To</u>
E. T. Mulranen	Operator	\$2,500	\$2,400
R. M. Ott	Operator	2,260	2,400
T. N. Buckley	Operator	1,980	2,100
J. H. Heher	Operator	1,980	2,100

The report also recommended that the Board assume the expense of the premiums, each of which now amounts to \$40 per annum, on the surety bonds required by the Board of Mr. Oliver E. Foulk as Fiscal Agent and Miss Josephine E. Lally as Deputy Fiscal Agent.

The report further recommended the following changes in titles and designations of individual employees of the Board:

SECRETARY'S OFFICE:

	<u>From</u>	<u>To</u>
R. K. Thompson	Secretary to Mr. Bethea	General Assistant
Alvin C. Walters	General Assistant	Secretary to Mr. Carpenter
Frances S. Fitzgerald	Secretary to Assistant Secretary	Senior Clerk

OFFICE OF GENERAL COUNSEL:

George B. Vest	Assistant Counsel	Assistant General Counsel
B. Magruder Wingfield	Assistant Counsel	Assistant General Counsel
Sara A. Dyer	Stenographer	Chief Stenographer
Kathleen B. Pendleton	Stenographer	Secretary
Mabel Goepfert	Stenographer	Secretary
Margaret Wisner	Stenographer	Secretary
Hildur L. Clegg	Stenographer	Secretary

DIVISION OF EXAMINATIONS:

R. F. Leonard	Federal Reserve Examiner	Federal Reserve Examiner, with title of Assistant Chief, Division of Examinations
C. E. Cagle	Federal Reserve Examiner	Federal Reserve Examiner, with title of Assistant Chief, Division of Examinations

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DIVISION OF EXAMINATIONS: (Cont'd)

	<u>From</u>	<u>To</u>
A. G. Lindquist	Assistant Federal Reserve Examiner	Federal Reserve Examiner
P. J. Winkler	Assistant Federal Reserve Examiner	Federal Reserve Examiner
L. E. Skees	Assistant Federal Reserve Examiner	Federal Reserve Examiner
J. R. Radford, Jr.	Assistant Federal Reserve Examiner	Federal Reserve Examiner
Earl D. Buck	Assistant Federal Reserve Examiner	Federal Reserve Examiner
W. J. McClelland	Assistant Federal Reserve Examiner	Federal Reserve Examiner
Julia B. Hopkins	Clerk	Assistant Federal Reserve Examiner

DIVISION OF BANK OPERATIONS:

J. E. Horbett	Principal Assistant	Assistant Chief, Division of Bank Operations
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PAYROLL TRANSFERS:

Victrin M. Taylor	Stenographer	Secretary's Office	Board Members
John H. Hunley	Messenger	Secretary's Office	General Counsel
Robert Piper	Messenger	Secretary's Office	Division of Examinations
R. N. Simms	Messenger	Secretary's Office	Division of Examinations
Benjamin D. Berry	Messenger	Secretary's Office	Division of Examinations
Carl M. Skinner	Messenger	Secretary's Office	Division of Bank Operations
Otto H. Branic	Messenger	Secretary's Office	Division of Security Loans
Charles G. Trescott	Messenger	Secretary's Office	Division of Research and Statistics

The committee report also recommended approval of the following proposed budget for non-personal services for the year 1935, and of the total budget for the year including personal services adjusted in accordance with the recommended salary increases set forth above:

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Supplies & Materials	\$ 11,655.00
Subsistence Expenses	56,700.00
Transportation Expenses	35,500.00
Communication Service	34,415.00
Prtg., Engr., Binding, etc.	49,425.00
Heat & Light	120.00
Rent - Building	85,727.95
Rent - Equipment	33.00
Repairs - Equipment	925.00
Equipment	15,775.00
Special & Miscellaneous	9,540.00
Retirement Contributions	<u>75,000.00</u>
	\$374,815.95

Mr. Szymczak commented upon the principal features of the report, pointing out that in a considerable number of instances the recommendations in the report were the result of compromises which in his opinion might produce some inequalities. He stated that he felt that either the Executive Committee or a special committee appointed for that purpose should review the situation carefully and that the budget for next year should be submitted and disposed of well in advance of the end of the year. Governor Eccles indicated his agreement with Mr. Szymczak's suggestion.

After discussion, upon motion by Mr. Hamlin, the recommendations of the committee were approved effective May 1, 1935, and, in accordance therewith, Miss Julia B. Hopkins was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, and was designated an assistant Federal reserve examiner, effective May 1, 1935.

Governor Eccles presented a letter dated April 27, 1935, from Mr. Walter W. Smith, President of the Federal Advisory Council, stating that, in view of the fact that the Council had had one regular meeting and two special meetings since January 1, 1935, the members had indicated that they would prefer not to have the regular May meeting unless the Fed-

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eral Reserve Board had topics which it deemed of sufficient importance to warrant a further meeting.

After discussion, the Secretary was requested to prepare a reply to Mr. Smith stating that the Board saw no reason for calling the regular May meeting of the Council.

Governor Eccles referred to the desirability of reviewing the procedure for handling the Board's business and the relationships between the Board and its staff for the purpose of agreeing upon a plan which would produce the maximum efficiency, and of making such revision of the by-laws as might be necessary, and he suggested that the present assignments of duties to Board members and procedure be continued until the disposition of the banking legislation now pending is determined by the Congress, with the thought that then the whole question of procedure should be taken up by the Board and a solution of the problem arrived at.

After discussion, it appeared to be the consensus of the members present that further consideration of the matter should be deferred pending action on banking legislation at the present session of Congress.

Governor Eccles reviewed in considerable detail developments which had taken place in various conferences in which he had participated with respect to the position of the Treasury and the Administration upon the proposed Banking Act of 1935 with special reference to the provisions of Title II relating to the authority of the Board over open market policy.

Mr. Szymczak called attention to a letter received by him under date of April 6, 1935, from Governor Fleming of the Federal Reserve Bank

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of Cleveland, with regard to the action of Mr. K. H. MacKenzie, of the bank's statistical department, in furnishing, with the knowledge of Mr. J. B. Anderson, Assistant Federal Reserve Agent, information to the financial editor of the Cleveland Plain Dealer which was not furnished to other news agencies and concerning which a complaint had been made by the Associated Press. Mr. Szymczak pointed out that the matter had been considered by the board of directors of the bank, which had reprimanded Messrs. Anderson and MacKenzie and had expressed the belief that the reprimand would be effective in precluding a repetition of such conduct.

After discussion, it appeared to be the consensus of the members present that a letter should be written to the Deputy Chairman of the board of the Cleveland bank advising him that, in view of all the circumstances, including the consideration which had been given to the matter by the board of directors and the action taken as the result of that consideration, the Federal Reserve Board had decided to concur in that action; also, that a letter should be addressed to Mr. Fletcher, Acting Federal Reserve Agent, instructing him to reprimand Messrs. Anderson and MacKenzie on behalf of the Board and to advise them that a repetition of the offense would not be tolerated by the Board.

The minutes of the meetings of the Federal Reserve Board held on April 11, 12 (two meetings), 17, 19 and 23, 1935, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on April 16 and 25, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Telegrams dated May 1, 1935, from Messrs. Curtiss, Austin and Wood, Chairmen of the Federal Reserve Banks of Boston, Philadelphia and

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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.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the action taken by the board of directors of your bank, referred to in your letter of April 22, 1935, the Federal Reserve Board approves the salary at the rate of \$7,500 per annum for Mr. William G. McCreedy as Assistant Deputy Governor. Please advise the effective date of Mr. McCreedy's appointment as Assistant Deputy Governor.

"It is noted from your letter that a committee of your board of directors is considering the selection of someone to fill Mr. McCreedy's former position, and that in the meantime it is proposed that the Chief Auditor shall perform the duties previously assigned to Mr. McCreedy."

Approved.

Telegram dated April 30, 1935, approved by four members of the Board, to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Your telegram April 29. Board approves appointment of Edward J. Noble as fifth member Industrial Advisory Committee your district for unexpired portion of term ending February 28, 1936."

Approved.

Telegram dated April 30, 1935, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, referring to the application of "The Dime Deposit Bank and Trust Company of Kulpmont, Pennsylvania", Kulpmont, Pennsylvania, for permission to withdraw immediately from membership in the Federal Reserve

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System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to The Dime Deposit Bank and Trust Company of Kulpmont, Pennsylvania, the Federal Reserve Bank of Philadelphia is authorized to cancel such stock and make a refund thereon. The telegram also requested the agent to forward to the Board the letter received from the president of the member bank requesting waiver of six months' notice of intention to withdraw.

Approved.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of April 17, 1935, which is in reply to the Board's letter of February 18, 1935, relative to the report of examination of the Federal Reserve Bank of Philadelphia as of November 17, 1934.

"It has been noted that the by-laws of the bank have been amended and that under the provisions thereof Mr. McIlhenny is now authorized to serve as Deputy Governor, Cashier and Secretary. It will be appreciated if you will forward for the Board's use four copies of such amendments.

"The Board has read with interest your comments relative to the irregularities which your examiner reported to you last July in connection with subscriptions to Government issues placed by the Main Line Trust Company, Ardmore, Pennsylvania, with the Federal Reserve Bank as Fiscal Agent, and has noted particularly that, as a result of an investigation which has been made, you are satisfied that Daniel V. McLaughlin, an employee of the Reserve Bank formerly in charge of the Fiscal Agency Department and whose name was mentioned in connection with the irregularities, is without blame in the matter. It has been noted further that your examiners, who are at present engaged in an examination of the Pennsylvania Company for Insurances on Lives, etc. which has taken over the Main Line Trust Company and converted it into a branch, have been instructed to make an independent investigation of the matter during the course of the examination and that if at any time any information is obtained indicating a connection

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"on the part of Mr. McLaughlin with the irregularities, the services of the appropriate Governmental investigating agency will be enlisted. The Board requests that it be kept advised of any new developments in the matter.

"The Board has noted your comments relative to the other matters mentioned in its letter of February 18, 1935."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Staunton National Bank and Trust Company', Staunton, Virginia, from \$100,000 to \$75,000, pursuant to a plan which provides that the released capital shall be used to eliminate unsatisfactory assets, all as set forth in your letter of April 23, 1935.

"It is understood that the bank's capital has recently been increased through the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation and that the plan of capital reduction does not provide for the sale of any additional preferred stock."

Approved.

Letter dated April 30, 1935, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of De Witt', De Witt, Iowa, from \$50,000 to \$25,000, pursuant to a plan which provides for the sale locally of \$40,000 of 2% preferred stock and the payment in full of certificates of beneficial interest amounting to approximately \$81,158, now held by waiving depositors, through the use of the released capital and a portion of the bank's surplus and reserve accounts, all as set forth in your memorandum of April 20, 1935."

Approved.

Memorandum dated March 14, 1935, from Mr. Parry, Chief of the Division of Security Loans, recommending approval of four amendments to

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the Board's Regulation T to become effective ten days after approval by the Board. The memorandum stated that the proposed amendments in preliminary form were submitted, under date of February 1, 1935, to all Federal reserve agents and to representatives of the Treasury Department and the Securities and Exchange Commission; that all suggestions received from these sources, including those from representatives of stock exchanges in Boston, New York, Philadelphia, Cleveland, Pittsburgh, Cincinnati, Washington, Chicago and San Francisco, had been duly considered in preparing the amendments in the form submitted with the memorandum; that they had been taken up directly by members of the Board's staff with representatives of the New York Stock Exchange and with certain other persons informed of conditions in the trade; and that the proposed amendments make no fundamental changes in Regulation T, although they do liberalize the regulation in a number of respects.

There was also submitted a memorandum dated April 9, 1935, from Mr. Wyatt, General Counsel, stating that his office participated in the preparation of the amendments and that he is of the opinion that they are in proper legal form and that they are in accordance with the law except to the extent that the proposed amendment to section 6 authorizes the extension of credit on unregistered, unexempted securities, but that even in this respect the amendment is in accordance with the law as interpreted by the Board's Ruling No. 34, Cash Transactions in Unregistered Securities, except that it is somewhat broader in scope. Mr. Wyatt's memorandum also stated that there are other amendments to Regulation T which he thinks should be adopted, especially one covering the subject of members, brokers

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and dealers arranging for others to extend credit to their customers on registered securities in amounts exceeding the amount of credit which such members, brokers and dealers could themselves extend to their customers or on conditions different from those on which members, brokers and dealers could extend credit to their customers, that his office is preparing such an amendment, which Mr. Parry has agreed to cooperate in submitting to the Board; and that Mr. Parry is preparing amendments on other points with a view of submitting them to the Board in the future.

The file had been circulated among the members of the Board and the proposed amendments and the explanatory notes to amendments 3 and 4 were approved by six members of the Board on April 30, 1935, in the following form, effective May 10, 1935:

Amendment No. 1 of Regulation T - Effective May 10, 1935.

Section 2 of Regulation T is hereby amended by adding at the end thereof a new subsection reading as follows:

"(n) The term 'days' as distinguished from 'business days' and 'full business days', means calendar days, but if the last day of a specified period of days be a Saturday, a Sunday, or a holiday, such period shall be considered to end on the next full business day."

Amendment No. 2 of Regulation T - Effective May 10, 1935.

Section 5 of Regulation T is hereby amended by adding at the end thereof a new subsection reading as follows:

"(d) Maintenance of credit without collateral or on collateral other than exempted or registered securities. - Any credit which was initially extended prior to October 1, 1934, or which was extended in conformity with this regulation and which is or has become, without violation of this regulation, credit maintained without collateral or on collateral other than exempted or registered securities, may be maintained without collateral or on collateral other than exempted or registered securities until July 1, 1937:

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"Provided, That any collateral securing such credit other than exempted or registered securities (a) shall not be the basis of any additional extension of credit which is for the purpose of purchasing or carrying securities, and (b) shall be given no value in determining the maximum loan value of the securities in the account."

Amendment No. 3 of Regulation T - Effective May 10, 1935.

Section 6 of Regulation T entitled "Cash Transactions" is hereby amended to read as follows:

"SECTION 6. CASH TRANSACTIONS"

"Notwithstanding any other provision of this regulation, a creditor may, in a special cash account recorded separately, subject to the conditions specified in this section, (1) effect bona fide cash transactions and transactions incidental thereto and (2) make, for limited periods not exceeding seven days, extensions of credit which are incidental to bona fide cash transactions.

"A bona fide cash transaction is (1) a transaction in which a customer buys a security (whether registered or unregistered), through a creditor acting as broker or from a creditor acting as dealer, pursuant to an agreement made in good faith, and not to evade or circumvent the provisions of this regulation, that the customer will promptly make full cash payment for such security, or (2) a transaction in which a customer sells, through a creditor acting as broker or to a creditor acting as dealer, a security (whether registered or unregistered) which the creditor holds in the special cash account of such customer or which, pursuant to an agreement made in good faith and not to evade or circumvent the provisions of this regulation, is to be deposited in or transferred to such account.

"The creditor shall record the full details of every bona fide cash transaction and of every transaction incidental thereto which is effected in the special cash account provided for in this section and shall record in the special cash account itself the following details: (1) in the case of every security purchased by the customer, the name of the customer, the date of payment by the creditor, and the date of payment by the customer, and (2) in the case of every security sold by the customer the name of the customer, the date of deposit of the security in or the transfer thereof to the account, the date of payment to the customer, and the date of the crediting of the proceeds of the sale to the account.

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"No extension of credit which is incidental to any such bona fide cash transaction shall constitute a violation of this regulation (1) if, within the time specified above, payment is received by the creditor (who may disregard for the purpose of this clause any sum due not exceeding fifty dollars), or (2) if, within two full business days after the time when payment should have been received under this section, the creditor (a) in the case of any security purchased by the customer from the creditor acting as dealer, cancels the sale or resells the security, or (b) in the case of any security purchased through the creditor acting as broker, sells the security, or (c) in the case of any security sold through the creditor acting as broker, resells the security or is repaid by the customer: Provided, however, That, in exceptional cases, any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, may, on application of the creditor, grant a further extension of time not exceeding thirty-five days or, in the case of a registered security, authorize the creditor to extend credit on such security subject to the provisions of this regulation, if such committee is satisfied that the transaction was a bona fide cash transaction, that the creditor is acting in good faith in making the application, and that the circumstances warrant such action.

"The special cash account provided for in this section shall not be used in any way for the purpose of evading or circumventing any provision of this regulation. No transactions shall be effected in such account except bona fide cash transactions and transactions incidental thereto, and no extension of credit shall be made in such account except extensions incidental to bona fide cash transactions."

"NOTE: The Board's rulings numbered 16, 27, 34, and 35 interpreting Regulation T may be disregarded with respect to transactions occurring on and after the effective date of the foregoing amendment. After enactment of Amendment No. 3, Ruling No. 36 interpreting Regulation T will still be controlling as to the facts stated in the ruling but it is contemplated that the ruling will be of less general interest because of the possibility under Amendment No. 3 of transferring unregistered, non-exempted securities from a combined account to a cash account for the purpose of effecting their sale as a bona fide cash transaction."

Amendment No. 4 of Regulation T - Effective May 10, 1935.

Subsection (b) of section 8 of Regulation T is hereby amended by adding at the end thereof a new paragraph reading as follows:

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"Nothing in this regulation shall be construed to prevent a creditor from paying to or for a customer from any account (including any restricted account) interest and/or cash dividends collected by the creditor for the customer's account, if such payment is made within thirty-five days after the day on which, in accordance with the creditor's usual practice, such interest or dividends are credited to the account, and if the crediting of such interest or dividends has not served in the meantime to permit in the account any purchase of securities or other transaction which could not otherwise have been effected in accordance with this regulation."

"NOTE: The Board's rulings numbered 30 and 38 interpreting Regulation T must be disregarded with respect to transactions occurring on or after the effective date of the foregoing amendment."

Approved.

Letter to Governor Seay of the Federal Reserve Bank of Richmond,
reading as follows:

"This refers to your letter of January 15, 1935, inclosing a copy of a letter from one of your member banks in which it is stated that the bank has a valuable account from a certain company for which it has in the past absorbed exchange charges, the amount absorbed for the year 1934 totaling in excess of \$1,000. The bank advises that its officers have informed the depositor that in the opinion of the bank the absorption of these exchange charges constitutes a violation of law, but that officers of the company have replied that the company does a nation-wide business, that all other banks in which it has accounts absorb all exchange charges without remonstrance, that the company will have to close out its account if the bank insists upon passing the exchange charges on to the company and that it is positive that the business can be handled at par through a certain other bank. The member bank submitting the inquiry to you states that the account referred to is the only account on its books on which the bank absorbs exchange charges when the amount of such charges bears a substantially direct relation to the balance maintained.

"The member bank apparently admits that the amount of exchange charges absorbed by it in connection with the account in question bears a substantially direct relation to the balance maintained in the account and it follows from the rulings of the Federal Reserve Board heretofore made that the absorption of such exchange charges constitutes an indirect payment of

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"interest in violation of law if, as is assumed, the deposit is one payable on demand. The Board accordingly is unable to accede to the suggestion that the practice of absorbing such charges by the bank should not be discontinued, as the Board has no authority to permit of exceptions to the prohibition of the law.

"The Board, however, sympathizes with the position of a member bank which by reason of strict adherence to the law and the rulings of the Board feels that it may lose a valuable account to a competitor which is less scrupulous in this respect. It is noted that the name of the member bank in question has not been given nor have the names of the other banks which, it is alleged, absorb all exchange costs in connection with similar accounts of the company in question. If you will advise the Board of the name of the member bank raising the question and of the other banks which it is alleged now absorb or are willing to absorb the charges in violation of the law, the Board will be glad to take the matter up with the appropriate Federal Reserve Agents with a view to taking such steps as may seem advisable in order that the law may be enforced uniformly with respect to all such member banks. Of course, in advising other Federal Reserve Agents in connection with this matter the Board will not disclose the name of the member bank which addressed the letter to you on the subject."

Approved.

Letter dated April 30, 1935, approved by four 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 your letter of March 21, 1935 regarding a possible violation of section 32 and of section 21(a)(1) of the Banking Act of 1933 arising from an account which The Hamilton National Bank of Chattanooga, Chattanooga, Tennessee, had with Jno. F. Clark & Co., which was referred to in the report of examination of the bank. You state that you have been advised that that Company is not engaged in the business of underwriting or distributing securities to any extent whatever and that it is engaged in dealing in securities only to an insignificant extent. You state further that your General Counsel has advised you that, in his opinion, the activities of the Company do not fall within the prohibitions of either section 32 or section 21(a)(1). Under the circumstances, the

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"matter will be considered closed."

Approved.

Letter dated April 30, 1935, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of March 7, 1935 replying to the Board's letter of February 27, 1935 regarding a possible violation of the provisions of section 32 and of section 21(a)(1) of the Banking Act of 1933 arising from an account which The First National Bank of Binghamton, Binghamton, New York, had with Dick & Merle-Smith, New York, New York, which was referred to in the report of examination of the bank. You state that you have been advised that the account has been closed; and, as stated in your letter, it appears that this information disposes of the matter."

Approved.

Letter dated April 30, 1935, approved by four members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of March 26, 1935, inclosing a copy of a letter dated March 25, 1935, from Mr. J. R. Einstein, Kittanning, Pennsylvania, requesting an amendment to his Clayton Act permit.

"On September 18, 1934, Mr. Einstein was granted permission to serve at the same time as director and officer of The Merchants National Bank of Kittanning and as director of The Armstrong County Trust Company, both of Kittanning, Pennsylvania; and it is noted that he is now serving also as vice president of The Armstrong County Trust Company and requests that his permit be amended accordingly.

"The Board has considered the request of Mr. Einstein but, in view of the policy set forth in its letter of January 9, 1935 (X-9082), feels that the granting of the present request would be incompatible with the public interest since the banks involved appear to be engaged in the same class or classes of business and so located as to be in a position to compete substantially. Please inform the applicant accordingly

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"and advise the Board promptly as to what steps Mr. Einstein proposes to take in order to comply with the provisions of the Clayton Act.

"The Board is not unmindful of the fact that, without revocation of the permit issued September 18, 1934, Mr. Einstein may continue to serve as director and officer of The Merchants National Bank of Kittanning and as director of The Armstrong County Trust Company under the authority of that permit. Nevertheless, no action in this connection will be taken at this time since the policy set forth in the Board's letter of January 9, 1935 (X-9082), does not contemplate the revocation of existing permits and since there is now pending before Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

Letters dated April 30, 1935, approved by four members of the Board, to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. W. O. Barrett, to serve at the same time as a director and officer of the First National Bank of Lexington, Lexington, Mississippi, and as a director and officer of the Pickens Bank, Pickens, Mississippi, for the period ending January 14, 1936.

Mr. W. B. Barrett, to serve at the same time as an officer of the First National Bank of Lexington, Lexington, Mississippi, and as a director of the Pickens Bank, Pickens, Mississippi, for the period ending January 14, 1936.

Mr. M. A. Scobey, to serve at the same time as a director and officer of the First National Bank of Lexington, Lexington, Mississippi, and as a director and officer of the Pickens Bank, Pickens, Mississippi, for the period ending January 14, 1936.

Mr. I. C. Hall, to serve at the same time as a director of The Colorado Bank and Trust Company of Delta, Colorado, Delta, Colorado, and as a director of The First National Bank of Paonia, Paonia, Colorado, for the period ending January 14, 1936.

Mr. C. S. Griffith, to serve at the same time as a director of The City National Bank of Taylor, Taylor, Texas, and as an officer of the Farmers State Bank, Georgetown, Texas, for the period ending January 14, 1936.

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Mr. John R. Scott, to serve at the same time as a director of The First State Bank, Dodsonville, Texas, and as a director of The First National Bank in Childress, Childress, Texas, for the period ending January 14, 1936.

Approved.

Letters dated April 30, 1935, approved by five members of the Board, to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. Louis B. Moffett, to serve at the same time as a director and officer of The Farmers and Mechanics National Bank of Woodbury, Woodbury, New Jersey, and as a director and officer of the Woodbury Trust Company, Woodbury, New Jersey, for the period ending January 14, 1936.

Mr. James P. Quigley, to serve at the same time as a director of The First National Bank of Olean, Olean, New York, and as a director and officer of the Cattaraugus County Bank, Little Valley, New York, for the period ending January 14, 1936.

Mr. A. H. Albert, to serve at the same time as a director of the First National Bank in New Bremen, New Bremen, Ohio, and as a director of the Peoples Banking Company, Lewisburg, Ohio, for the period ending January 14, 1936.

Mr. F. W. Edmondson, to serve at the same time as a director of the Keystone National Bank in Pittsburgh, Pittsburgh, Pennsylvania, and as a director of The National Bank of Brookville, Brookville, Pennsylvania, for the period ending January 14, 1936.

Mr. W. B. Irvine, to serve at the same time as a director and officer of The National Bank of West Virginia at Wheeling, Wheeling, West Virginia, as a director and officer of The Farmers National Bank of Claysville, Claysville, Pennsylvania, and as a director and officer of the Morris Plan Savings & Loan Company, Wheeling, West Virginia, for the period ending January 14, 1936.

Mr. Theodore F. Brown, to serve at the same time as a director of The Sykesville State Bank, Sykesville, Maryland, and as a director of The Farmers and Mechanics National Bank of Westminster, Westminster, Maryland, for the period ending January 14, 1936.

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Mr. Volney M. Brown, to serve at the same time as a director of The Indiana National Bank of Indianapolis, Indianapolis, Indiana, as a director of The Union Trust Company of Indianapolis, Indianapolis, Indiana, and as a director of The Union Trust Joint Stock Land Bank, Indianapolis, Indiana, for the period ending January 14, 1936.

Mrs. Clara M. Bramwell, to serve at the same time as a director of the First National Bank in Belleville, Belleville, Kansas, and as a director of the First National Bank of Hampton, Hampton, Iowa, for the period ending January 14, 1936.

Mr. J. B. Fortson, to serve at the same time as a director of The First National Bank of Corsicana, Corsicana, Texas, and as a director and officer of the First State Bank, Rice, Texas, for the period ending January 14, 1936.

Mr. John T. Fortson, to serve at the same time as a director of The First National Bank of Corsicana, Corsicana, Texas, and as a director and officer of the First State Bank, Rice, Texas, for the period ending January 14, 1936.

Approved.

Letter to an applicant for a Clayton Act permit advising of the issuance of a permit by the Board as follows:

Mr. W. E. Kasten, to serve at the same time as a director of The First National Bank in East Chicago, East Chicago, Indiana, and as a director of The Union National Bank of Indiana Harbor, at East Chicago, East Chicago, Indiana, 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 SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
The First National Bank of Jerome, Jerome, Pennsylvania.	36	36

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Applications for SURRENDER of Stock: (Cont'd)
District No. 10.
The First National Bank of Moline, Moline,
Kansas.

Shares

24	24
<u>Total</u>	<u>60</u>

Approved.

Thereupon the meeting adjourned.

Walter Morrie
Secretary.

Approved:

W. Steuber
Governor.