

A meeting of the Federal Reserve Board was held in Washington on Tuesday, July 16, 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. Bethea, Assistant Secretary
 Mr. Carpenter, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on June 29, 1935, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 1, 2, 5, 8 and 10, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Renewal bond, in the amount of \$50,000, executed under date of July 1, 1935, by Mr. S. G. Sargent as Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved.

Telegram dated July 15, 1935, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Re application for membership First State Bank of Valparaiso, Indiana, now pending before Board. According to information submitted common stock of the bank has par value of \$100,000 and capital debentures sold to the Reconstruction Finance Corporation amount to \$50,000, whereas report of examination as of June 10, 1935, shows net book value of all capital of \$136,600. The Board as you know, has previously ruled (letter X-7868), that a bank in order to avoid any deficiency in its capital accounts must have assets equal in amount to its obligations to depositors and other

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"creditors and the amount of all of its capital accounts including capital debentures. Since it appears that a deficiency exists in the bank's capital accounts, it is, of course, under the provisions of section 9 of the Federal Reserve Act, ineligible for admission to membership at this time. Unless otherwise requested, the Board will hold the application for membership of the First State Bank of Valparaiso in abeyance pending developments in connection with the proposed Banking Act of 1935 which, as passed by the House of Representatives on May 9, 1935, would authorize the Board under certain circumstances to waive capital and other eligibility requirements of banks applying for membership in the System. It is suggested that, if you have not already done so, you also determine in the meantime whether it is practicable under the State law to reduce the common stock of the bank in an amount sufficient to eliminate the impairment. Please advise the bank of the present status of its application."

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 'Saguache County National Bank of Saguache', Saguache, Colorado, from \$60,000 to \$50,000, pursuant to a plan which provides that the released capital shall be used to eliminate \$10,000 of sub-standard assets which are to remain the property of the bank, all as set forth in your memorandum of July 8, 1935."

Approved.

Letter dated July 15, 1935, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of July 3, 1935, regarding the proposed reduction in the common capital stock of the 'Industrial Trust Company', Wilmington, Delaware, from \$1,000,000 to \$625,000 through the retirement of 15,000 shares (par \$25) at \$20 per share and the transfer of the difference between par and the retirement price, namely \$75,000, to the surplus and undivided profits accounts of the trust company.

"It is noted that the purpose of the plan is to retire the 13,500 shares of stock held by the five local banks which, with

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"several local individuals, came to the assistance of the trust company in 1931 and provided additional capital at that time.

"The conditions under which the trust company was admitted to membership do not require the Board's approval of the reduction in capital and in view of the information submitted, the condition of the institution as disclosed in the report of examination as of May 28, 1935, and your recommendation, the Board will interpose no objection to the retirement of capital as outlined in your letter of July 3, 1935, with the understanding that the transaction has the approval of the State Bank Commissioner of the State of Delaware and that your counsel is satisfied as to its legal aspects.

"It is understood that, although all stockholders will be afforded an opportunity of surrendering the same pro rata portion of their stockholdings for cancellation, it is expected that comparatively little stock will be offered for cancellation except that held by the five local banks which came to the assistance of the trust company in 1931. It is understood also that the president of the bank and certain of the directors have made arrangements to purchase at \$20 per share all stock offered for cancellation in excess of the 15,000 shares to be retired. In view of the fact that the stockholders are to receive considerably less than the book value of the stock to be surrendered as shown in the latest report of examination, it is assumed that in submitting the plan to the stockholders they will be fully advised as to the condition of the bank, and the Board has interposed no objection to the transaction with the understanding that such will be the case.

"It will be appreciated if you will forward a copy of any amendments to the trust company's charter which may be adopted in connection with the proposed capital reduction."

Approved.

Memorandum dated July 6, 1935, from Mr. Owens, Assistant Counsel, referring to letters dated June 26 and 27 from the office of the Federal Reserve Agent at the Federal Reserve Bank of New York, in regard to the action taken by the New York State Banking Board on June 21, 1935, in prescribing a rate of 2 per cent per annum as the maximum interest and dividend rate payable on time and savings deposits after October 1, 1935, by New York State banks, and suggesting that, for reasons stated in the memorandum, no notification of the reduction be

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sent to national banks located in New York until it is determined whether or not section 24 of the Federal Reserve Act with regard to the rates of interest that may be paid by member banks on time and savings deposits, will be amended at this session of Congress.

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Beginning July 18 the text accompanying the Board's weekly statement of condition of Federal Reserve banks will contain the following statement: 'Member bank reserve balances on _____ were estimated to be approximately \$_____ in excess of legal requirements'."

Approved.

Letter dated July 15, 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:

"Your letter of July 10, 1935, has been brought to the attention of the members of the Federal Reserve Board, and they have no objection to your completing your vacation period during the present month. It is noted that you tentatively plan to be away from the bank during the week of July 18."

Approved.

Letter dated July 15, 1935, approved by four members of the Board, to an applicant for a Clayton Act permit advising of the issuance of a permit by the Board as follows:

Mr. Richard P. Hughes, to serve at the same time as a director of The First National Bank of Florence, Florence, New Jersey, and as a director of the Burlington City Loan & Trust Company, Burlington, New Jersey, for the period ending January 14, 1936.

Approved.

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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. 2.</u> The National Union Bank of Dover, Dover, New Jersey	72	72
<u>District No. 9.</u> First National Bank of Hopkins, Hopkins, Minnesota	1	
The First National Bank of Moose Lake, Moose Lake, Minnesota	1	2
	<u>1</u>	<u>2</u>
	Total	74
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u> The First National Bank of St. Paris, St. Paris, Ohio	85	85
<u>District No. 9.</u> The First National Bank of Knapp, Knapp, Wisconsin	18	18
<u>District No. 10.</u> The First National Bank of Hominy, Hominy, Oklahoma	45	45
<u>District No. 12.</u> The Tempe National Bank, Tempe, Arizona	36	36
	<u>36</u>	<u>36</u>
	Total	184

Approved.

Thereupon the meeting adjourned.

Robert M. Mott
Secretary.

Approved:

W. S. C. C. C.
Governor.