

A meeting of the Federal Reserve Board was held in Washington on Thursday, August 22, 1935, at 11:30 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 meetings of the Federal Reserve Board held on July 16, 17, 19 (two meetings), 24 and August 6, 7 and 9, 1935, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 22, 26, 29, 31 and August 2, 5, 12, 14 and 15, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Telegram dated August 21, 1935, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, 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.

Memorandum dated August 16, 1935, from Mr. James submitting a letter dated August 13 from Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago, which requested approval of a change in the personnel classification plan of the bank to provide for the transfer of the position of "Advice Clerk", in the Bookkeeping Division of the Accounting Department, to the Incoming Checks Division of the Check

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Department. The memorandum stated that Mr. James had reviewed the proposed change and recommended that it be approved.

Approved.

Letter dated August 20, 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 and Trust Company of Bridgeport', Bridgeport, Connecticut, from \$1,000,000 to \$250,000, in accordance with a plan which provides for the sale of an additional \$500,000 of preferred stock to the Reconstruction Finance Corporation and \$250,000 of new common stock to local interests, and for the use of the released capital in eliminating a corresponding amount of the least desirable assets in the bank, all as set forth in your memorandum of August 13, 1935."

Approved.

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

"Reference is made to the voting permit application of 'Bank of Nutley', Nutley, New Jersey, and the letters from your office of August 5, 1935, and August 9, 1935, concerning a request by 'The Franklin National Bank of Nutley', Nutley, New Jersey, the subsidiary bank, for a hearing at which it may, through its attorney, offer objections to the issuance of a voting permit to the applicant.

"It has been noted that your office has suggested to the attorney for the subsidiary bank that there be furnished for the information of the Board a detailed statement of the essential facts, reasons and arguments which, in the opinion of the directors of that bank, would be sufficient to justify the denial of the voting permit, and that the attorney for the bank has replied that the bank desired to wait until the Bank of Nutley actually applied for permission to vote the shares of stock of the subsidiary bank owned by it, before filing any objections with the Board.

"The voting permit application of Bank of Nutley, which is dated December 1, 1933, and requests a permit to vote the stock owned or controlled by it of the subsidiary bank for all purposes and at all meetings of its shareholders, has not

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"been finally acted upon by the Board nor withdrawn by the applicant. Accordingly, you are requested to advise The Franklin National Bank of Nutley, or its attorney, that if it desires to be heard in opposition to the issuance of a voting permit pursuant to such application, it should file promptly, as previously suggested by your office, a detailed statement of the objections offered as justification for a denial of the voting permit by the Board."

Approved.

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

"The Board's examiners have recently called attention to the fact that certificates of Federal Reserve bank stock issued by your bank to newly organized national banks in some cases bear dates differing by one or more days from the dates of the charters issued to such banks by the Comptroller of the Currency, due apparently to the fact that the Comptroller's telegraphic notice of charter is sometimes received after the books have been closed for the day.

"In order that the practice of issuing capital stock to new national banks may be uniform at all Federal Reserve banks and consistent with the provisions of Section I(a) of Regulation I, it is requested that the capital stock certificate issued to a newly organized national bank bear the date of the charter of the bank, as given in the Comptroller's wire advice of the issuance of the charter, and that, in case your bank's books have been closed before receipt of such advice, appropriate 'as of' entries be made in your 'dividends accrued' and 'accrued dividends' accounts covering the accrued dividend for the number of days between the date on the certificate and the date on which the 'capital' account is credited on the books of your bank."

Approved, and similar letters were authorized to be sent to the Federal Reserve Agents at the Federal Reserve Banks of Cleveland, Chicago, Minneapolis and Dallas.

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

"There are inclosed herewith six copies of a tentative draft (L-120) of a revision of Regulation H relating to membership in

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"the Federal Reserve System of State banks under the provisions of section 9 of the Federal Reserve Act, together with six copies each of applicable forms in connection with such regulation. It will be appreciated if you and the officers of your bank will study these inclosures and forward to the Board your comments and suggestions thereon at the earliest practicable date, not later than thirty days from the date of this letter. The tentative draft of the regulation and forms have been prepared by the Board's staff but not considered by the Board and, in order to expedite the matter and with the permission of the Board, are being sent to you at the same time that they are being submitted to members of the Board for consideration."

Approved, with the understanding that, in accordance with the action taken at the meeting of the Board yesterday, it will not be necessary to submit to the Board for approval similar letters transmitting to the Federal reserve banks tentative drafts of other revised regulations or of new regulations made necessary by the Banking Act of 1935.

Letter to Mr. Post, Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of August 7, 1935, inclosing a copy of a letter from Thomas B. Gravatt, Auditor of the Philadelphia Stock Exchange, inquiring as to the beginning of the period for obtaining margin under section 4(e) of Regulation T, expressed as 'three full business days (exclusive of Saturdays, Sundays and holidays) from the date of the purchase or other transaction on account of which' margin is required.

"The question raised is whether in 'transactions or combination of transactions contracted for on Thursday for settlement on Monday \* \* \* the time limit for obtaining the proper margin in accordance with section 4(e) Regulation T \* \* \* expires on Thursday'. (Apparently the next succeeding Thursday.)

"Reference is made to ruling 19 of the Board. In view of this ruling the three-day period allowed would expire at midnight on the third full business day following the date of the initial execution of the transaction, which is midnight on the next succeeding Tuesday.

"Mr. Gravatt's letter, in effect, indicates a question as to the mutual consistency of rulings 19 and 20 of the Board and whether the interpretation expressed in ruling 19 results in a regulation of the transactions mentioned by him before credit is actually extended. It may be pointed out that the Board

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"has power to require that the margin be obtained before Tuesday and that the grant of an additional period to obtain margin rather than being a restriction or regulation is a privilege granted to the broker. In effect, Fuling 19 only indicates a formula for computing the period of this privilege based on an easily defined date, namely, 'the date of the purchase or other transaction on account of which margin is required.' As to the power to use such a formula for determining the period, there seems no question. Further, the 'date of the purchase' under the definitions of the Securities Exchange Act of 1934 includes 'the date of the contract to purchase'.

"It is understood that no question is raised by the Philadelphia Stock Exchange as to the Board's power to permit a business conduct committee to grant, in its discretion, an extension of the period within which margin may be obtained. However, a telephone conversation with Mr. Gravatt developed that the exchange had some question as to when extensions of time by the committee for 'not exceeding ten days' might begin to run. Such extensions would in each case begin to run at the end of the three day period allowed for obtaining margin by section 4(e)."

Approved.

Thereupon the meeting adjourned.

Chester Morie  
Secretary.

Approved:

W. Scales  
Governor.