

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 14, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary

The Board acted upon the following matters:

Memorandum dated October 11, 1935, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, recommending that Mrs. Flora S. Devereux, a statistical clerk in the Division, be granted an additional leave of absence with pay, because of illness and a death in her family, for a period of five days beginning October 7, 1935.

Approved unanimously.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Your wire October 11. Board's requirement relating to increase in capital and surplus of 'Peoples Bank and Trust Company', Seattle, Washington, contemplated the provision of adequate capital and surplus by bank for protection of its depositors and other creditors and that capital notes and debentures might be included in complying with Board's requirement."

Approved unanimously.

Memorandum dated October 10, 1935, from Mr. Parry, Chief of the Division of Security Loans, transmitting:

- (1) the following proposed letter to the Securities and Exchange Commission:

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"The Commission has submitted to the Board of Governors of the Federal Reserve System the provisions regarding margins which it plans to incorporate in its proposed rules for the registration of unissued warrants and unissued securities for 'when issued' dealing on national securities exchanges.

"The Board interposes no objection to these provisions, but reserves the right to issue in the future such regulations of its own as will fix margin requirements on unissued securities and unissued warrants. The adoption of such regulations is being studied by the Board.

"All or any part of this letter may, in appropriate context, be quoted in any release to the press issued by the Commission in connection with the promulgation of its rules.

"Copies of the provisions regarding margins which were submitted to the Board are attached."

"Proposed Margin Provision in S.E.C. Rule JD 6  
Entitled 'Denial of Registration of an Unissued  
Warrant for "When Issued" Dealing'.

"(b) The Commission may deny registration of an unissued warrant or certificate for 'when issued' dealing on a national securities exchange unless the Commission after such notice and opportunity for hearing finds that

- (6) the rules of the exchange on which such unissued warrant or certificate is to be registered for 'when issued' dealing provide substantially that the amount of margin (in addition to the amount required to cover any unrealized loss) which members of such exchange shall require on any commitment in such unissued warrant or certificate shall be (A) in respect of a net long commitment, the current market value of such unissued warrant or certificate in such net long commitment; and (B) in respect of a net short commitment, the margin which would be required on an equivalent short commitment in the issued warrant or certificate, except that so long as the security, in respect of which an unissued warrant or certificate is to be issued, is in the account of a person by whom or for whose account such unissued warrant or certificate is to be received, no margin need be required on a contract to sell such unissued warrant or certificate or"

"Proposed Margin Provision in S.E.C. Rule JD 9  
Entitled 'Denial of Registration of an Unissued  
Security for "When Issued" Dealing'.

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"(b) The Commission may deny registration of an unissued security for 'when issued' dealing on a national securities exchange unless the Commission after such notice and opportunity for hearing finds that

(6) the rules of the exchange on which such unissued security is to be registered for 'when issued' dealing provide substantially that the amount of margin (in addition to the amount required to cover any unrealized loss) which members of such exchange shall require on any commitment in such unissued security shall be (A) in respect of a net long commitment, 45 percent of the current market value of such unissued security in such net long commitment; and (B) in respect of a net short commitment, the margin which would be required on an equivalent short commitment in the issued security, except that so long as the security in respect of which an unissued security is to be issued is in the account of a person by whom or for whose account such unissued security is to be received, no margin need be required on the contract to sell such unissued security; or"

(2) a proposed amendment (No. 6) to Regulation T, reading as follows:

"Section 3 of Regulation T is hereby amended by adding at the end thereof a new subsection reading as follows:

'(i) Warrants. - Notwithstanding any other provision of this regulation, the maximum loan value of any warrant or certificate which evidences a right to subscribe to or otherwise acquire any security and which by its terms expires within ninety days of issuance shall be nothing: Provided, That in any case in which an account contains, in addition to such warrant or certificate, the security in respect of which such warrant or certificate has been issued, the current market value of such security shall, for the purpose of calculating its maximum loan value, be increased by the current market value of such warrant or certificate."

(3) a telegram to the Federal reserve agents at all Federal reserve banks quoting the amendment to Regulation T referred to above and requesting that upon receipt of the telegram the agents print the amendment, and,

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after checking it against the confirmation of the telegram to distribute copies to interested persons.

There was also attached to the file, which had been circulated among the members of the Board, a memorandum dated October 10, 1935, from Mr. Benedict, Assistant Counsel, written in connection with the memorandum from Mr. Parry.

The letter to the Securities and Exchange Commission was approved by four members of the Board on October 12, 1935, and the proposed amendment to Regulation T and the telegram to the Federal reserve agents were approved with the understanding that the amendment would be issued, (to become effective 10 days later) and the telegram to the Federal reserve agents would be sent, upon receipt of advice from the Securities and Exchange Commission of the issuance of its proposed rules for the registration of unissued warrants and securities.

Letter dated October 12, 1935, approved by three members of the Board, to Mr. Allan Sproul, Assistant to the Governor of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of October 7, 1935, with inclosures, with respect to the payments due as of October 18, 1935, on the participations of the Federal reserve banks in the second central bank credit to the National Bank of Hungary.

"The Board notes that you have advised the Bank for International Settlements that, with respect to the interest payment due on October 18 under the second syndicate credit, you are willing to have the payment converted into United States dollars at the current rate of exchange and that, upon receipt of the proceeds, you will credit as interest \$11,418.47, and the balance as a partial repayment of principal.

"Your letter of September 24, 1935, to the Bank for International Settlements requests full information concerning the intention of the Hungarian National Bank with respect to the capital repayment due on October 18, 1935, on the second

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"syndicate credit and also with regard to the similar payment due on October 18, 1934, the transfer of which was postponed. It is assumed that when the interest payment referred to above has been made and the information requested in your letter has been received, you will advise the Board further regarding the matter."

Approved unanimously.

Letter dated October 12, 1935, approved by four members of the Board, to Honorable Burton K. Wheeler, United States Senate, reading as follows:

"Reference is made to your letter of September 27 in which you inclosed a letter you had received from Mr. Raymond Ehlers of the Sun Produce Co., Inc., Helena, Montana, regarding his application for a loan which was rejected by the Federal Reserve Bank of Minneapolis.

"We are informed by the Federal Reserve Bank of Minneapolis, in response to our request for information, that the Sun Produce Company, Inc., in applying for a loan of \$2,500 offered no security, and that the only security available was the machinery and fixtures in a leased building valued by the applicant at \$2,700.

"Both the Industrial Advisory Committee and the Federal Reserve bank gave careful consideration to the application and came to the conclusion that the bank would not be justified in approving the loan for the reason that the operating records and prospects of the Company did not give sufficient assurance of its ability to repay the loan from the profits of the business, and that, accordingly, it did not appear that the loan could be made on a reasonable and sound basis, as Section 13b of the Federal Reserve Act requires.

"The Board regrets that the application could not have received favorable action, but it appears to have been given careful consideration by the Industrial Advisory Committee and the Federal Reserve bank, and since they concurred in the conclusion that it could not be approved, there appears to be no basis for further action by the Board in the matter."

Approved unanimously.

Letter dated October 12, 1935, approved by four members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

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"The Board of Governors of the Federal Reserve System notes with approval from your letter of October 8, 1935, that you have discussed the Banking Act of 1935, in the manner outlined in the second paragraph of your letter, before Minnesota Bankers Association Group Meetings on September 24 and October 3, and that you will discuss the same subject at Hutchinson on October 12, at Owatonna on October 15 and at Anoka on October 18."

Approved unanimously.

Memorandum dated October 10, 1935, from Mr. Morrill advising that the page-proof of the Federal Reserve Bulletin for October, 1935, is ready for return to the Government Printing Office for final printing, but that before doing so Mr. Goldenweiser, Director of the Division of Research and Statistics, desired to know whether the Board approves the proposed review of the month as submitted with Mr. Morrill's memorandum.

The review of the month was approved unanimously.

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 Cazenovia National Bank, Cazenovia, New York.	117	
First Citizens Bank and Trust Company of Utica, Utica, New York.	<u>1,050</u>	1,167
<u>District No. 3.</u>		
The Ocean County National Bank of Point Pleasant Beach, Point Pleasant Beach, New Jersey.	30	
The National Bank of Royersford, Royersford, Pennsylvania.	<u>24</u>	54
<u>District No. 4.</u>		
The National Exchange Bank of Wheeling, Wheeling, West Virginia.	3	3

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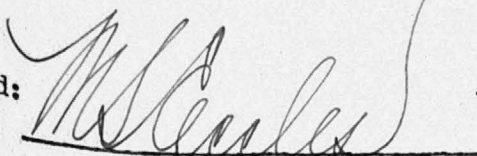
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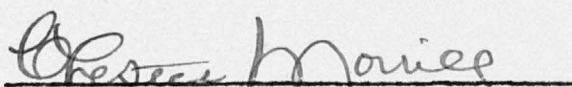
<u>Applications for ADDITIONAL Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 7.</u> First National Bank of Appleton, Appleton, Wisconsin.	3	3
<u>District No. 9.</u> The Fairmont National Bank, Fairmont, Minnesota. The First National Bank of Kiester, Kiester, Minnesota.	3 2	
The First National Bank of Preston, Preston, Minnesota.	<u>11</u>	16
<u>District No. 10.</u> The City National Bank and Trust Company of Kansas City, Kansas City, Missouri. National Bank of Topeka, Topeka, Kansas. The National Commercial Bank of Liberty, Liberty, Missouri.	60 5 <u>2</u>	67
<u>District No. 11.</u> The First National Bank of Cleveland, Cleveland, Texas. South Texas Commercial National Bank of Houston, Houston, Texas. The Second National Bank of Houston, Houston, Texas.	3 300 30	333
	<u>Total</u>	<u>1,643</u>
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u> The South Side National Bank of Butler, Butler, Pennsylvania.	84	84
<u>District No. 10.</u> The First National Bank of Pender, Pender, Nebraska.	50	50
<u>District No. 12.</u> Ontario National Bank, Ontario, Oregon.	54	54
	<u>Total</u>	<u>188</u>

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.