

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

December 22, 1933

Mr. _____,
_____,
_____.

Dear Sir:

Consideration has been given to your application for permission, pursuant to Section 32 of the Banking Act of 1933, to serve as a trustee of the _____ Trust Company of _____, _____, and as a director of the _____ Corporation, _____.

It appears that the _____ Corporation was organized by the late Mr. _____ for the purpose of making gifts to or trusts for certain of his nephews and nieces; that he transferred various stocks and bonds to the Corporation and received therefor the notes and stocks issued by the Corporation; that you and _____ Trust Company of _____ now hold all of the outstanding notes and stock of the Corporation in trust for certain nephews and nieces of Mr. _____; that the Corporation is empowered to buy, hold and sell property, including stocks and bonds; that most of the securities now owned by it represent the same properties as were transferred to it upon its organization, since it has never been its custom to make many changes in its investments; that it has purchased no securities whatever since May, 1925, except, on three occasions, United States Treasury short-term certificates or notes, and except for exercising its right, as stockholder, to subscribe to stock; and that, since

X-7739

_____ - 2

September, 1926, it has sold no securities except one comparatively small block of stock which it had owned for many years, and except certain "rights" received by it as stockholder in other corporations.

In view of the facts disclosed in your application, it appears that _____ Corporation is not a corporation "engaged primarily in the business of purchasing, selling, or negotiating securities", within the meaning of Section 32 of the Banking Act of 1933; and that, therefore, no permit is required under the provisions of that section covering your service as director of that Corporation and as trustee of the _____ Trust Company of _____.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

3

X-7740

January 4, 1934

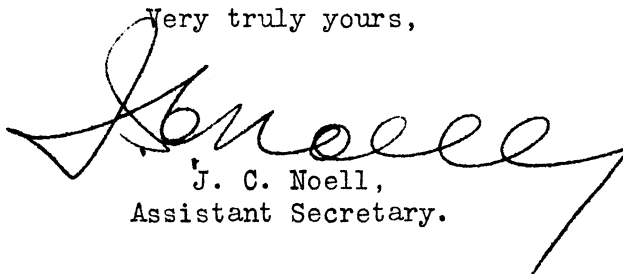
SUBJECT: Code Word Covering New Issue
of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXGEE" has been designated to cover a new issue of Treasury Bills, dated January 10, 1934, and maturing April 11, 1934.

This word should be inserted in the Federal Reserve Telegraph Code Book, following the supplemental code word "NOXGAT" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7741

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

January 4, 1934

Honorable Jesse H. Jones, Chairman,
Reconstruction Finance Corporation,
Washington, D. C.

Dear Mr. Jones:

This is in reply to your letter recently received which was addressed to the Governor of the Federal Reserve Board and in which you request an expression of the view of the Board with respect to the question whether the Reconstruction Finance Corporation is to be regarded as a holding company affiliate of member banks in which it is a majority shareholder.

You are advised that it is the view of the Federal Reserve Board, after careful consideration of this question on another occasion, that the Reconstruction Finance Corporation is not a "holding company affiliate" of a member bank in which it owns the majority of the capital stock, within the meaning of Section 2 (c) of the Banking Act of 1933.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

January 4, 1934

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. O'Connor:

This refers to your letter of August 15, 1933, regarding the payment of interest by member banks of the Federal Reserve System on deposits of receivers of insolvent State or national banks which are payable on demand.

You stated that it has been the custom of your office to permit national banks to pledge assets as collateral security for deposits of receivers of State banks in certain States, on the theory that such deposits are "public money of a State or any political subdivision thereof" within the intent of U.S.C., Title 12, Section 90, as amended June 25, 1930, which authorizes national banks to give security for the safekeeping and prompt payment of such money; and you called attention to the fact that footnote 2 of the tentative draft of Regulation Q, then pending before the Federal Reserve Board, provided that deposits of receivers of insolvent State or national banks are not deposits of "public funds" made by or on behalf of any State, county, school district or other subdivision or municipality within the meaning of the provision of Section 19 of the Federal Reserve Act which excepts deposits of such public funds from the prohibition upon the payment of

- 2 -

Hon. J. F. T. O'Connor

interest on deposits payable on demand. You suggested that to hold that a national bank may pledge collateral security for deposits of a receiver of a State bank on the theory that his deposits are public money and at the same time to hold that the bank may not pay interest on such deposits because they are not public funds may be inconsistent.

Upon receipt of your letter expressing your views on this subject and since it referred only to a provision of a footnote containing an interpretation of the law, the above-mentioned provision in the tentative draft of Regulation Q with regard to deposits of receivers of insolvent State or national banks was eliminated therefrom and does not appear in the regulation as it was approved and became effective on August 29, 1933; but the Board felt, and after further consideration of the subject still feels, that the statement on this subject which was contained in the tentative draft of the Regulation correctly interpreted the provisions of Section 19 of the Federal Reserve Act.

It is to be observed that the provision of the National Bank Act relating to the securing of deposits in national banks and the provision of Section 19 of the Federal Reserve Act in question were enacted at different times and for different purposes, and, accordingly, it would seem that similar phrases in the two statutes are not necessarily intended to be given precisely the same meaning. As you know, the courts have held that national banks had authority to pledge their assets to secure public deposits before the enactment of the amendment of

- 3 -

Hon. J. F. T. O'Connor

June 25, 1930, and the decision in the case of Royall v. Griffin, in the District Court of the United States, excerpts from which you inclosed with your letter, indicates that a national bank would have had authority to pledge assets to secure a deposit of the receiver of a State bank before the enactment of this amendment. In such circumstances, it may well be that national banks have authority to give security for deposits of funds which would not constitute public funds within the meaning of other provisions of the law. The provision of Section 19 of the Federal Reserve Act in question, however, is an exception to a comprehensive prohibition upon the payment of interest on deposits payable on demand and, in accordance with established rules of statutory construction, it would seem that the exception may not be liberally construed.

Consideration has been given to the legal authorities cited in your letter with regard to the meaning of the words "public funds". Several of these cases involve the question whether certain funds held by a public officer should be entitled to the protection against loss which is afforded by the bond required of him and such cases are not believed to be determinative of the question what are public funds within the meaning of the exception to the prohibition upon the payment of interest on deposits payable on demand in Section 19 of the Federal Reserve Act. In this connection, however, the Board invites your attention to the following cases which indicate that funds held by a public officer in his official capacity are not for that reason necessarily public funds: Kiernan v. Cleland, 47 Idaho 200, 273 Pac.

- 4 -

Hon. J. F. T. O'Connor

938 (1929); Sturtevant Company v. O'Brien, 186 Wis. 10, 202 N.W. 324 (1925); Austin v. Fox, 1 S.W. (2d) 601 (Texas 1928) and 297 S.W. 341.

It is important to note in this connection also that, in order that deposits may come within the exception in question in Section 19 of the Federal Reserve Act, they must not only be deposits of public funds, but must be made by or on behalf of a State, county, school district or other subdivision or municipality; and it is seriously questionable whether deposits of funds of receivers of State banks could properly be said to be made by or on behalf of any State, county, school district or other subdivision or municipality within the meaning and intention of the statute.

After carefully considering this subject again, therefore, in the light of the comments contained in your letter, it is the view of the Board that deposits of receivers of insolvent State or national banks which are payable on demand are not excepted from the prohibition of Section 19 of the Federal Reserve Act upon the payment of interest on deposits payable on demand.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

STANDING COMMITTEES OF FEDERAL RESERVE BOARD
(As of January 3, 1934)

EXECUTIVE COMMITTEE:

Governor Black, Chairman

Appointed Members:

Mr. Hamlin	Jan. 3 - Feb. 28
Mr. Miller	Mar. 1 - Apr. 30
Mr. James	May 1 - June 30
Mr. Thomas	July 1 - Aug. 31
Mr. Szymczak	Sep. 1 - Oct. 31
Mr. Hamlin	Nov. 1 - Dec. 31

(The Governor is ex-officio a member of each of the following Committees)

LAW:

Mr. Hamlin, Chairman
Mr. Miller

RESEARCH AND STATISTICS:

Mr. Miller, Chairman
Mr. Hamlin

EXAMINATIONS:

Mr. Thomas, Chairman
Mr. James

SALARIES AND EXPENDITURES OF
FEDERAL RESERVE BANKS:

Mr. James, Chairman
Mr. Szymczak

DISTRICT COMMITTEES

Boston:

Mr. Hamlin, Chairman
Mr. James

Chicago:

Mr. Szymczak, Chairman
Mr. Miller

New York:

Mr. Miller, Chairman
Mr. Hamlin

St. Louis:

Mr. James, Chairman
Mr. Szymczak

Philadelphia:

Mr. Hamlin, Chairman
Mr. Thomas

Minneapolis:

Mr. Thomas, Chairman
Mr. Miller

Cleveland:

Mr. Szymczak, Chairman
Mr. Miller

Kansas City:

Mr. Thomas, Chairman
Mr. James

Richmond:

Mr. Hamlin, Chairman
Mr. Szymczak

Dallas:

Mr. James, Chairman
Mr. Thomas

Atlanta:

Mr. James, Chairman
Mr. Hamlin

San Francisco:

Mr. Miller, Chairman
Mr. Szymczak

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 9, 1934.

Mr. _____, President,
The _____ National Bank,

_____.

Dear Sir:

Your letter of September 7, 1933, addressed to the Comptroller of the Currency, regarding certain provisions of the Federal Reserve Board's Regulation Q, has been referred to the Federal Reserve Board for reply.

Your first question relates to a time certificate of deposit payable one year from date, but having the following clause printed on its face:

"In order to comply with the provisions of the Federal Reserve Act relative to time deposits, this bank reserves the right to require thirty days' written notice of withdrawal."

You request to be advised whether such a certificate may be considered a time certificate of deposit for reserve purposes until actually paid, and whether interest may be paid on such certificate up to the date of its maturity. Without an opportunity to examine a copy of the certificate of deposit in question the Board is unable to advise you definitely whether the certificate conforms to the definition of a time certificate of deposit contained in Regulation D or Regulation Q. Assuming, however, that the certificate complies in other respects with the requirements of the regulations on this subject and that a definite maturity is provided in the certificates

one year after the date of the deposit, it constitutes a time certificate of deposit as defined in Regulation Q and interest may be paid thereon in accordance with that regulation until the date of maturity; and, in view of the reservation by the bank of the right to require thirty days' written notice of withdrawal, a deposit represented by such a certificate may properly be classified as a time deposit within the meaning of Regulation D relating to reserve requirements until such deposit is actually paid. After maturity, however, the certificate is one with respect to which the bank merely reserves the right to require thirty days' written notice before payment and, as stated in footnote 4 of Regulation Q, while such a certificate may be classified as a time deposit for computing reserves, interest may not be paid thereon for the reasons there stated. Accordingly, if a deposit represented by such a certificate is not paid at the maturity specified therein, no interest accruing thereafter may lawfully be paid on such deposit but it may be classified as a time deposit for computing reserves until actually paid.

Attention is invited to the fact, however, that the phrase "in order to comply with the provisions of the Federal Reserve Act relative to time deposits" contained in the above-quoted provision of your certificate is not entirely accurate; for even without the provision in question a deposit represented by a time certificate payable one year after date would constitute a time deposit within the meaning of Regulation Q until maturity and within the meaning of Regulation D until thirty days prior to maturity.

You also inquire whether your bank may lawfully pay interest at the rate of 4 per cent per annum on time certificate of deposit issued by you subsequent to June 16, 1933. Section 19 of the Federal Reserve Act was amended by the Banking Act of 1933 so as specifically to require the Federal Reserve Board to limit by regulation the rate of interest which may be paid by member banks on time deposits. The Banking Act of 1933 was enacted June 16, 1933 and it follows as a matter of law that the rate of interest which may be paid by a member bank on a time deposit under the terms of any certificate or contract issued or entered into after that date may not exceed the rate as limited by the Federal Reserve Board from time to time pursuant to the statute. The Board in its Regulation Q has limited the rate which may be paid by a member bank on a time deposit for any period subsequent to October 31, 1933 to 3 per cent per annum compounded semiannually and, accordingly, no member bank may pay interest accruing after the latter date on a time deposit, at a rate in excess of that prescribed in Regulation Q, under the terms of any certificate or contract entered into after June 16, 1933, even though such certificate or contract may provide for the payment of interest at a rate in excess of that stated.

In this connection, it is suggested, in order that depositors may have actual knowledge that the rate of interest stated in your time certificates of deposit is subject to such modification as may be necessary to conform to the rate on time deposits as limited or prescribed by the Federal Reserve Board from time to time under the

law, that you include in certificates hereafter issued a provision substantially in the following form:

"The rate of interest payable hereunder is subject to change by the bank to such extent as may be necessary to comply with requirements of the Federal Reserve Board made from time to time pursuant to the Federal Reserve Act."

With reference to your third question, the Federal Reserve Board is of the opinion that since a member bank is forbidden by law to pay interest on a deposit which is payable on demand, it may not lawfully pay interest for the period intervening between the maturity date of a certificate of deposit and the date on which a renewal certificate of deposit is actually issued, even though such renewal certificate is dated back to the date of maturity of the original certificate.

You further request to be advised under what conditions a loan to the owner of a time deposit will be deemed to be made "in good faith." As you know, footnote 7 under Section IV of Regulation Q provides that the making of a loan to the owner of a time deposit by a member bank for the purpose of evading the prohibition upon the payment of a time deposit by a member bank before its maturity will, to the extent of such loan, be deemed to be a payment of such deposit in violation of the prohibition. It is not believed that any general rule can be prescribed as to whether a loan is made in good faith or for the purpose of evading the prohibition in question; and each case should be determined on the basis of its own particular facts. It would not be practicable for the Federal Reserve Board to undertake

to determine in individual cases questions submitted to it by member banks as to whether loans made in particular circumstances are loans for the purpose of evading the prohibition upon the payment of a time deposit by a member bank before its maturity; and the Board feels that these are questions upon which each member bank should exercise its best judgment in the light of the provisions of the law and the regulation. As indicated in the regulation, in any case in which a loan is made to the owner of a time deposit by a member bank, the bank must be prepared to show clearly that it was made in good faith and not for the purpose of evading such prohibition.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

15

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7746

January 10, 1934.

SUBJECT: Discounts for Individuals, Partnerships
and Corporations.

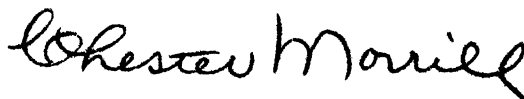
Dear Sir:

The authority granted by the Federal Reserve Board to all Federal reserve banks in its circular of July 26, 1932 (X-7215a), as amended by its letter of July 14, 1933 (X-7497), to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and that circular, will expire at the close of business on January 31, 1934. The Board has decided to extend such authorization for an additional six months, and, accordingly, has amended section II of its circular of July 26, 1932 (X-7215a), to read as follows:

"AUTHORIZATION BY THE FEDERAL RESERVE BOARD.

The Federal Reserve Board, pursuant to the power conferred upon it by the amendment hereinbefore quoted, hereby authorizes all Federal reserve banks, for a period ending at the close of business on July 31, 1934, to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and this circular."

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMAN AND GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

16

X-7747

January 10, 1934.

SUBJECT: Applications under Clayton Act.

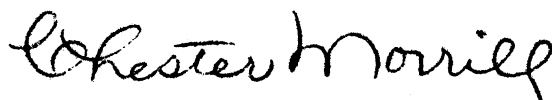
Dear Sir:

In connection with a number of applications under the Clayton Act which have been submitted to the Board recently, it has been noted that only partial answers have been made to question No. 11 on Form 94b, "Report of Federal Reserve Agent". That question calls for information as to (a) the condition of each of the banks involved in the application located in your district, (b) the character of the management of each of such banks, and (c) the extent of the applicant's responsibility therefor in the case of each of such banks. One or more of these items have not been covered in several cases. Your particular attention is directed to item (c), which is of special importance. The information called for by question No. 11 should be furnished respecting non-member banks as well as member banks involved in the application. In view of the fact that the Board is authorized to grant a permit only if in its judgment it is not incompatible with the public interest, the information called for is necessary with respect to all of the banks involved in the application in order that the Board may be in a position to determine whether a permit should be granted.

It has also been found, occasionally, that an applicant who

is serving as officer and director of a particular bank applies for a permit covering his service as director only, or as officer only. The Board usually will not issue permits covering services other than those named in the application, and it is therefore suggested that, if in any case you find that the application does not specify all the positions in which the applicant desires to serve, you obtain the proper amendment to the application before it is submitted to the Board.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill". The signature is written in dark ink and is positioned above the typed name.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

X-7748

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 11, 1934.

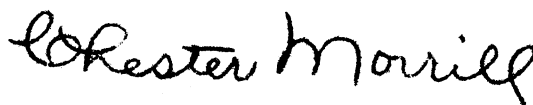
SUBJECT: Changes in Inter-District Time Schedules.

Dear Sir:

Upon agreement between the Federal Reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedules of cash items:

		<u>From</u>	<u>To</u>
St. Louis	to Nashville	1 day	2 days
"	" El Paso	3 days	2 "
"	" Los Angeles	4 "	3 "
Little Rock	to Richmond	3 "	2 "
"	" El Paso	3 "	2 "
Louisville	to Pittsburgh	2 "	1 "
"	" Denver	3 "	2 "
"	" San Antonio	3 "	2 "
"	" El Paso	4 "	3 "
"	" San Francisco	5 "	4 "
"	" Portland	5 "	4 "
Memphis	to New York	3 "	2 "
"	" El Paso	3 "	2 "
"	" Los Angeles	4 "	3 "
"	" Salt Lake City	4 "	3 "
"	" Portland	5 "	4 "
"	" Spokane	5 "	4 "
"	" Seattle	5 "	4 "
New York	to Memphis	3 "	2 "
Pittsburgh	to Louisville	2 "	1 "

Very truly yours,


Chester Morrill,
Secretary.

TO ALL GOVERNORS

FEDERAL RESERVE BOARD

19

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7749

January 12, 1934.

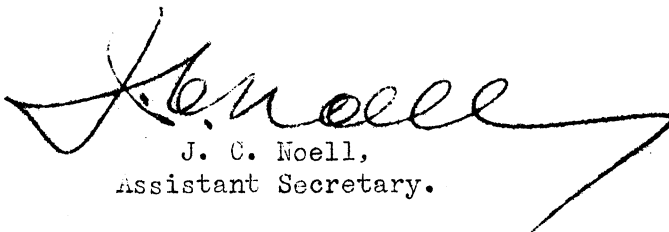
SUBJECT: Code Word Covering New Issue
of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXGEM" has been designated to cover a new issue of Treasury Bills, dated January 17, 1934, and maturing April 18, 1934.

This word should be inserted in the Federal Reserve Telegraph Code Book, following the supplemental code word "NOXGEE" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS

FEDERAL RESERVE BOARD

WASHINGTON

20

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7750

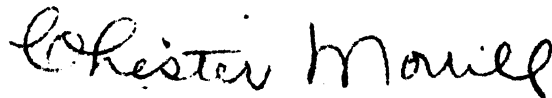
January 15, 1934.

SUBJECT: Applicability of Section 8A of the
Clayton Act to Service to a Federal
Savings and Loan Association.

Dear Sir:

In response to an inquiry the Federal Reserve Board has ruled that the loans made by a Federal Savings and Loan Association on the security of its own shares, as authorized by the pertinent provisions of the Home Owners' Loan Act of 1933, are not the type of loans "secured by stock or bond collateral" referred to in Section 8A of the Clayton Act; and that therefore that section does not prohibit a director, officer or employee of a national bank from serving at the same time as a director, officer or employee of such a savings and loan association.

Very truly yours,



Chester Morrill,
Secretary.

TO AGENTS AT ALL F. R. BANKS.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 6, 1934.

Mr. Isaac B. Newton,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Newton:

This refers to the letter of the Executive Committee of your bank, dated December 26, 1933, forwarding to the Board, together with exhibits, the application of trustees for stockholders of the _____ National Bank in _____, _____, _____, for permission to vote stock of the _____ National Bank in _____.

The recitals prefacing the agreement entered into on April 16, 1928, between the applicant trustees and stockholders of the above named banking association state that:

"* * * the parties hereto desire to prevent the control of said association falling into the hands of any competitor or any party that may manage said association for his or its own benefit to the detriment of the interests of such stockholders of said corporation, and to that end desire to grant mutual options to each other for the purchase of their interests in shares of the stock thereof as the same shall exist under the terms of this agreement, and to have the stock now belonging to them respectively voted as a unit".

In order to effectuate the purposes of the agreement as so set forth, it is provided that the agreeing stockholders shall grant mutual options to each other for the purchase of their interests in shares of the stock held by them in any case in which a stockholder

X-7751

Mr. Isaac B. Newton

-2-

may receive a bona fide offer from one or more other stockholders to purchase shares of stock owned by him. It further appears that the stock held by the agreeing stockholders is to be transferred to the trustees upon the books of the association; and that such trustees are empowered to vote the stock so held by them, either as directed by those who hold the interest in a majority of such shares of stock, or, failing such direction, as the trustees in their discretion may deem best for the interests of the association. It also appears that the trustees are required to issue to each of the agreeing stockholders certificates showing the number of shares of the association held in trust for him subject to the terms of the agreement and that the trustees are authorized to collect all dividends which may be declared upon the stock held by them and to distribute such dividends to the agreeing stockholders in proportion to their respective interests. Finally, it is provided that the agreement shall be in force and effect from the time that it shall have been signed by stockholders owning not less than 800 shares in the association until the expiration of seven years from the date of such agreement.

It does not appear that the trustees under this agreement have any powers other than those outlined above. They do not deal with the stock held by them except as specifically authorized by the agreement in order that they may effectuate the desire of the stockholders to grant mutual options to each other for the purchase of their shares of stock.

Mr. Isaac B. Newton

-3-

In these circumstances, it is the view of the Board that the trust here created does not perform any of the characteristic functions of a "business trust" and that such trust is not a "corporation, business trust, association, or other similar organization", within the meaning of Section 2(c) of the Banking Act of 1933, defining a "holding company affiliate". Accordingly, it is not now necessary for _____, _____ and _____, as trustees as aforesaid for stockholders of _____ National Bank in _____, _____, _____, to obtain a voting permit from the Board under the provisions of Section 5144 of the Revised Statutes as amended, in order that the stock held in trust by them may be validly voted and the Board is accordingly not giving consideration to the application filed by them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 11, 1934.

Mr. _____,
_____,
_____,
_____.

Dear Sir:

I regret that due to the pressure of other matters of urgent importance arising under the Banking Act of 1933 the Federal Reserve Board has been unable to make an earlier reply to your letter of October 3, 1933, regarding the applicability of the Wisconsin State Deposit Fund Law to funds deposited by the Clerk of the Circuit Court.

The Federal Reserve Board understands that, under Section 34.06 of the Wisconsin Statutes, the Wisconsin State Deposit Fund includes all public deposits, and that such Fund is used solely for the reimbursement of losses resulting from the failure of any public depository to repay to a public depositor on demand the full amount of its deposit. It is also understood that every bank having any public funds on deposit is required to pay into the State Deposit Fund at quarterly intervals a sum equal to a certain per cent of the average daily balance of such deposits, "such sum to be collected by the depository from the depositors". In these circumstances, you state that you have taken the position that funds paid into court pending the outcome of litigation and deposited with your bank by the Clerk of the Circuit Court do not constitute "public funds",

Mr. _____ - 2

and that you have, therefore, refused to remit to the State Board of Deposits the sum required to be paid into the State Deposit Fund.

Section 19 of the Federal Reserve Act as amended provides that no interest may be paid on any deposit which is payable on demand, with certain exceptions; and it is the opinion of the Federal Reserve Board that the phrase "deposits of public funds made by or on behalf of any State, county, school district or other subdivision or municipality", as used in that section, may not properly be construed as including deposits of monies paid into State courts by private parties pending the outcome of litigation. It appears that, under Section 34.01 of the Wisconsin Statutes, "public deposits" are defined as including funds deposited by an officer of the State or any county, city, or other governmental subdivision. However, if there be any inconsistency between the State statute and the Federal statute on this subject, the latter must control; and accordingly, notwithstanding the definition of the term "public deposits" contained in the Wisconsin Statutes, deposits of money paid into State courts by private parties pending the outcome of litigation are not exempt from the prohibition of Section 19 of the Federal Reserve Act upon the payment of interest on deposits payable on demand.

The Board understands, however, that under the provisions of the Wisconsin State Deposit Fund law amounts paid by depository banks into such fund are collected by them from the depositors. It is the

Mr. _____ - 3

view of the Federal Reserve Board that the collection of such sums from the depositors by charging their accounts or otherwise and the payment of such amounts into the State Deposit Fund do not constitute a payment of interest within the meaning of the Federal Reserve Act and, accordingly, unless interest is paid or credited by the banks on such deposits in connection with such collections and payments to the fund, are not prohibited by that Act.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary

STATEMENT FOR THE PRESS

For immediate release.

January 16, 1934.

Mr. E. R. Black, Governor of the Federal Reserve Board, today issued the following statement:

For the past several weeks there have been conferences between the President, the Secretary of the Treasury and representatives of the Reserve System upon two questions: first, the allocation of the increase in value of the Reserve System's gold consequent upon devaluation, and second, the transfer of the title to the Reserve System's gold to the Government prior to devaluation. We have felt that these two questions were not interdependent.

As to the first question, the Reserve Board, after advising with the Governors of the Reserve Banks, has felt that the Reserve Banks should not be the beneficiaries of the enhanced value placed upon their gold holdings by a purely monetary policy of the Government, but on the contrary that such enhanced value arising solely through such monetary policy of the Government should enure to the Government. This feeling has been based upon the conviction that such enhanced value will result solely from a governmental policy and not from any action or effort on the part of the Reserve Banks. This position has been expressed to the President.

The second question embracing the matter of title to the gold of the Reserve Banks has similarly been discussed with the President and the Secretary of the Treasury by representatives of the Reserve System. The

- 2 -

System has felt and has urged that this question was of such large import as to demand its determination by Congressional legislation.

In line with this position, on December 29th I wrote the President regarding these two questions and in the course of that letter set forth the following reasons for Congressional action:

"First: It relieves what is to me a serious difficulty presented to the Secretary in the question of his right to requisition gold of the Reserve System under the statute authorizing requisition of gold in protection of the currency system of the country.

Second: It presents the opportunity to Congress of granting by Congressional action protection to the Reserve System in event of future revaluation upward of the dollar.

Third: It gives to Congress the right to allocate the profit upon gold in the event of devaluation.

Fourth: It leaves to Congress the full question of legislation relative to the Reserve System and its currency, both creations of Congress.

Fifth: It will obviate all chances of criticism upon the Reserve System and upon the Administration in respect to the problem involved, and all uneasiness and unrest as to Reserve Banks and their credit and currency functions.

May I earnestly urge that this Congressional course is the straight, simple, legal course to all the ends desired.

In conclusion, Mr. President, may I assure you that this suggestion is not written in the selfish interest of the Reserve Banks, but in the interest of your Administration and of the country, as an evidence of which I desire to repeat that the question of profit on our gold is not involved, as I have heard no other suggestion from any member of our Board, or any Reserve Bank than that any profit arising from a monetary policy of the Government should go to the Government."

Following this letter the President decided that the question of the transfer of the title to the System's gold should be referred to Congress for determination. I understand that the proposed bill is for this purpose.

- 3 -

The present security of reserve note issues comprises eligible paper, governments, gold and gold certificates. The proposed bill names the same security for note issues except that the gold proposed to be taken from the Reserve Banks by the Treasury is to be replaced by gold certificates issued by the Treasury and redeemable in gold by the Treasury at such times and in such amounts as, in the judgment of the Secretary of the Treasury, are necessary to maintain the equal purchasing power of every kind of currency of the United States. The security for the gold certificates is maintained by the Treasury in gold bullion.

Federal Reserve notes under the new bill, as under the old law, are the obligations both of the Reserve Bank issuing them and of the United States.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 16, 1934.

Mr. _____,
_____,
_____.

Dear Mr. _____:

This refers to your letter of January 4, 1934, addressed to the President of The _____ National Bank of _____, _____, a copy of which you have forwarded to the Board's General Counsel with a request for the opinion of the Board with respect to the question therein presented.

It appears from your letter to the member bank that an ordinance of the City of _____, _____, undertakes to require the payment of interest on deposits of municipal funds which are payable on demand. It also appears that the legislature of the State of _____ has not provided that the city shall impose this requirement, but has simply conferred upon the City of _____, in its charter, a discretion as to whether or not its funds shall be deposited under arrangements providing for the payment of interest. In these circumstances, the member bank requests to be advised whether such ordinance constitutes "State law" within the meaning of that provision of Section 19 of the Federal Reserve Act as amended which excepts from the prohibition upon the payment of interest upon deposits payable on demand deposits of public funds "with respect to which payment of interest is required under State law."

It may be conceded that for certain purposes a municipal ordinance may be regarded as "State law", as, for example, within the meaning of that provision of the Federal Constitution which prohibits the impairment of the obligation of contracts. As a general rule, however, the term "State law" does not include a municipal ordinance, and the term may be used to indicate the law of the State declared by the State legislature, as distinguished from the local law declared by cities, counties, and other political subdivisions of the State. The fact that in other provisions of the Federal Reserve Act Congress employed the phrase "State or local law" appears to indicate that Congress had this distinction in mind.

Accordingly, having in mind the general rule that an exception to a statutory provision should be strictly construed, it is the opinion of the Federal Reserve Board that a municipal ordinance is not "State law" within the meaning of the provision of the Federal Reserve Act here in question.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 12, 1934.

Mr. _____,
The _____ National Bank of _____,
_____.

Dear Sir:

Due to the urgency of other matters arising in connection with the Banking Act of 1933, it has not been possible to make an earlier reply to your letters of September 7 and September 20, 1933, which were addressed to the Comptroller of the Currency and referred to the Federal Reserve Board for reply.

You state that the national bank examiners are reporting a deficiency in your reserve on July 1, 1933, the date of payment of your last preceding dividend, apparently as a result of a comparison of the actual reserve in the Federal Reserve Bank of Atlanta on that date with the required reserve according to your records at the close of business on that date. In view of this action by the examiners, you inquire whether you may continue your practice of maintaining reserves against deposits at the opening of business on each day.

Section 19 of the Federal Reserve Act provides in part as follows:

"The required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: Provided, however, That no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored."

Pursuant to the authority of this provision of law, the Federal Reserve Board has prescribed certain rules governing penalties for deficiencies in reserves in Section IV of its Regulation D, a copy of which is inclosed herewith for your information, and has provided therein that "in computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day * * *". Thus, member banks have until the close of business each day in which to adjust their reserve balances so as to meet the requirements of their deposit balances at the close of business of the preceding day. This provision of the regulation is still effective and deficiencies in reserves should be computed on this basis in determining the amount of penalties, if any, to which a member bank is subject.

Since, however, the law provides that "no bank shall at any time make any new loans or shall pay any dividends unless and until the total balance required by law is fully restored", a member bank may not lawfully pay any dividends when its reserves are actually deficient at the time of such payment; and the fact that its reserve balances at the close of business on the date of payment of dividends may be adequate in relation to its deposit balances at the opening of business on such date is not in itself a compliance with this provision of the law. For this purpose, the required reserve balance at the time of payment of dividends must be based upon net deposit balances existing at that time and, accordingly, if the reserve

balance at the opening of business on the date of payment of the dividend is adequate in relation to the net deposit balances existing at the opening of business on such date, the dividend, if otherwise proper, may lawfully be paid.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7757

Statement of Bureau of Engraving and Printing

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes
Series 1928, December 1 to 29, 1933.

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$10000</u>	<u>Total Sheets</u>	<u>Amount</u>
Boston, . . .	10,000	40,000	-	-	50,000	\$4,125.00
New York, . .	-	184,000	40,000	100	224,100	18,488.25
Philadelphia, .	-	48,000	12,000	-	60,000	4,950.00
Cleveland, . .	-	10,000	32,000	-	42,000	3,465.00
Richmond, . .	-	10,000	10,000	-	20,000	1,650.00
Atlanta, . . .	42,000	10,000	-	-	52,000	4,290.00
Chicago, . . .	-	60,000	36,000	-	96,000	7,920.00
St. Louis, . .	15,000	10,000	-	-	25,000	2,062.50
Minneapolis, .	-	12,000	12,000	-	24,000	1,980.00
San Francisco, .	10,000	12,000	-	-	22,000	1,815.00
	<u>77,000</u>	<u>396,000</u>	<u>142,000</u>	<u>100</u>	<u>615,100</u>	<u>\$50,745.75</u>

615,100 sheets, @ \$82.50 M, \$50,745.75

Credit deliveries from July to November, 1933,
inclusive, on account of reduction in rate per
M sheets, as follows:

Boston,	\$ 1,002.60	
New York,	2,034.00	
Philadelphia,	1,848.00	
Cleveland,	684.01	
Richmond,	689.99	
Atlanta,	1,670.40	
Chicago,	1,206.00	
St. Louis,	1,026.00	
Minneapolis,	432.00	
Kansas City,	774.00	
Dallas,	240.00	
San Francisco,	846.00	12,453.00
		<u>\$38,292.75</u>

X-7758

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Bank Notes
(National Currency) Series 1929,
December 6 to 22, 1933.

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>Total Sheets</u>	<u>Amount</u>
Philadelphia . . .	85,000	40,000	-	125,000	\$10,961.25
Kansas City. . . .	<u>84,000</u>	<u>-</u>	<u>25,000</u>	<u>109,000</u>	<u>9,558.21</u>
	<u>169,000</u>	<u>40,000</u>	<u>25,000</u>	<u>234,000</u>	<u>\$20,519.46</u>

234,000 sheets, @ \$87.69 M, . . \$20,519.46

Credit deliveries from July to
November, 1933, inclusive, on
account of reduction in rate per
M sheets, as follows:

Boston,	\$1,274.62	
New York,	2,984.63	
Philadelphia,	978.05	
Cleveland,	3,035.11	
Atlanta,	422.77	
Chicago,	<u>3,337.99</u>	<u>12,033.17</u>
		<u>8,486.29</u>

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

A-7759

January 19, 1934.

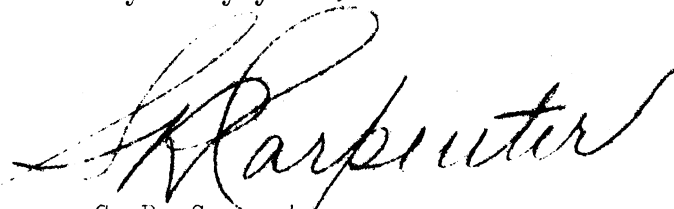
SUBJECT: Code Word Covering New Issue
of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXGIB" has been designated to cover a new issue of Treasury Bills, dated January 24, 1934, and maturing April 25, 1934.

This word should be inserted in the Federal Reserve Telegraph Code Book, following the supplemental code word "NOXGEM" on page 172.

Very truly yours,

A large, stylized handwritten signature in dark ink, appearing to read 'S. R. Carpenter'.

S. R. Carpenter,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

38

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7760

January 19, 1934.

SUBJECT: Holidays during February, 1934.

Dear Sir:

On Monday, February 12, Lincoln's Birthday, the books of the Federal Reserve Board's Gold Settlement Fund will be closed and there will be neither transit nor Federal Reserve note clearing through the Fund on that day. For your information, the offices of the Board and of the following Federal Reserve banks and branches will be open for business on February 12:

Boston

Atlanta

St. Louis

New Orleans

Little Rock

Richmond

Birmingham

Baltimore

Jacksonville

Kansas City

Charlotte

Oklahoma City

The Board is advised that on Tuesday, February 13, Mardi Gras Day, the New Orleans and Birmingham Branches of the Federal Reserve Bank of Atlanta will be closed. Please include transit clearing credits of February 13 for New Orleans Branch with your credits in the clearing of February 14.

On Thursday, February 22, Washington's Birthday, the offices of the Federal Reserve Board and all Federal Reserve banks and branches will be closed.

On Saturday, February 24, the Havana Agency of the Federal

-2-

X-7760

Reserve Bank of Atlanta will be closed in observance of the anniversary
of the Revolution of Baire.

Please notify branches.

Very truly yours,

A large, elegant handwritten signature in cursive script, reading "S. R. Carpenter". The signature is written in dark ink and is positioned above the typed name and title.

S. R. Carpenter,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS

FEDERAL RESERVE BOARD

WASHINGTON

40

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7763

January 20, 1934.

Dear Sir:

As you know, the Banking Act of 1933 provides with respect to applications of holding company affiliates for voting permits that the Board may, in its discretion, grant or withhold such permits as the public interest may require and that in acting upon any application for such a permit the Board "shall consider the financial condition of the applicant, the general character of its management and the probable effect of the granting of such permit upon the affairs of such bank."

Consideration of information submitted with applications for voting permits heretofore received has disclosed that in some cases the applications were inaccurate, incomplete, and unsatisfactory. In certain instances reports of examinations of subsidiary banks and affiliated institutions were not current or were insufficient in other respects, particularly in regard to information concerning management, intercompany and interbank relations, and appraisal and classification of assets. In addition, the reports of examination and statements of the banks and other corporations were of widely varying dates. For these and other reasons, the Board concluded that it should confine its action for the time being to limited permits for certain specified purposes and that it should

- 2 -

defer action upon the question whether unlimited permits to vote for all purposes should be granted until a more thorough study could be made of the applications and the information in connection therewith.

In this connection the Banking Act of 1933 also provides that every "holding company affiliate" in making application for a permit shall agree to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such holding company affiliate and such banks and the effect of such relations upon the affairs of such banks; and that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate. The act also provides that, in connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of

- 3 -

such relations upon the affairs of such banks.

In the circumstances, the Board feels that in the development of your plans for examinations of all State member banks in your district, provision should be made as far as possible for simultaneous examinations of "holding company affiliates" and their subsidiary member banks and the affiliates of such member banks, in order to carry out the requirements of the Banking Act of 1933 and to enable the Board to take final action upon pending applications for voting permits. For this purpose it will, of course, be necessary to make appropriate arrangements with the chief national bank examiners and State supervisory authorities in each district. This matter has been discussed with the office of the Comptroller of the Currency and he will arrange to have the respective chief national bank examiners cooperate with you to the fullest extent. If it is not practicable to make examinations simultaneously of all banks and their affiliates in any very large group in your district, the principal banks of such group, together with the affiliates whose relations are most important, should be examined simultaneously and the remaining institutions covered as soon as possible thereafter, their records being reviewed in order to obtain information on a comparable basis and to make allowances for intercompany transactions which may have occurred between the different dates of examinations.

In connection with these examinations, the Board desires that certain specific information be obtained concerning all the units of a group and an outline of the points to be covered in this respect will be prepared and sent you as soon as possible. For these reasons, it is

- 4 -

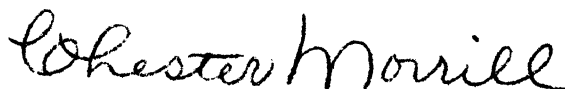
suggested that for the present your examiners give their first attention to the banks which are not affiliated with holding companies and that you advise the State supervisory authorities and the chief national bank examiners accordingly.

It is probable that the State and national bank examiners have examined some of the banks in affiliated groups during the current year or late in 1933 and, therefore, they do not contemplate re-examination of such banks prior to July 1, 1934. However, in such cases, for the reasons which have been stated, it would be desirable if at all possible to re-examine any such banks in accordance with the general plan which has been outlined in this letter.

The examinations made of national banks and State member banks under this program can, of course, serve as a basis for the certifications by the Comptroller of the Currency and the Federal Reserve Board in connection with applications for Class A stock in the Federal Deposit Insurance Corporation. Such certifications, however, must be made prior to July 1, 1934, and the work in connection with voting permits should not prevent the completion of the program in connection with the certifications for the insurance fund.

If there are any details of this procedure which you wish to discuss further, it is suggested that you communicate with Mr. L. H. Paulger, Chief of the Board's Division of Examinations.

Very truly yours,



Chester Morrill,
Secretary.

STATEMENT FOR THE PRESS

For immediate release.

January 22, 1934.

Mr. E. R. Black, Governor of the Federal Reserve Board, today issued the following statement:

A conference of the Governors of the Reserve Banks was held on Saturday.

At this conference Secretary Morgenthau presented the immediate program of the Government's financing. The Governors gave full consideration to this program, and assurance of full cooperation in the success of the program was given by the Governors.

X-7765

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

January 18, 1934.

Messrs. _____,
_____,
_____.

Dear Sirs:

Receipt is acknowledged of your letter of January 12, 1934, in which you ask whether it is necessary under the provisions of Section 32 of the Banking Act of 1933 for The "R" Company, a member bank, to obtain a permit from the Federal Reserve Board to participate with The "X" Company and other investment houses in the purchase of bonds issued by the State of "J" and by various municipalities in the State of "J". Your letter contains a detailed description of the dealings upon which your question is based.

It appears that it has heretofore been the practice of a group, headed by The "X" Company and including as the other three principals The "R" Company, The "S" Company and The "T" Company, to bid for bonds issued by the State of "J". Other dealers, selected by The "X" Company as manager of the group, have been associated with these principals from time to time, but such dealers have not always been the same.

The State of "J" did not issue any bonds from 1926 until the latter part of 1933. In November 1933 the State of "J" asked for bids for \$ _____ of its _____ Bonds. The group which made the successful bid for these bonds was headed by The "X"

-2-

X-7765

Company and had as its other principals The "R" Company, and the other two organizations named in the second paragraph of this letter. A number of other dealers who were selected by The "X" Company participated.

No officer or director of The "R" Company is an officer, director or manager of any other member of the group named in the second paragraph of this letter. The "T" Company carry a small cash account with The "R" Company, which sells letters of credit issued by The "T" Company. The "X" Company also carry an account with The "R" Company. With these exceptions there are no regular business relationships between The "R" Company and any other member of the group referred to in the second paragraph of this letter.

On December 27, 1933, The "R" Company headed a group which included as the other principals The "S" Company and The "M" Company, and this group was a bidder for \$ _____, _____ Bonds issued by the City of _____, although, as you state in your letter of January 13, 1934, it was not the successful bidder. The "T" Company headed another group, which submitted a competing bid for these bonds. You state that The "M" Company, which joined The "R" Company in the bid for these bonds, is usually in a group which bids against the group which The "R" Company joins for the purpose of bidding for bonds issued by the State of "J".

You point out that the membership of the "bidding group", which participates with the principals in bidding for such bonds,

varies with each transaction, and that such membership is usually not fixed until the last minute before the bid is made.

You suggest that the term "correspondent bank" in Section 32 refers to a bank which regularly performs banking functions for a dealer in securities. However, as you will note from the definition in Section II of the Board's Regulation R, the Board has decided that this term does not include a bank which shall merely perform ordinary banking functions for a dealer in securities. You suggest that, if Congress had intended to refer to underwritings in Section 32, it would have done so as it did in Section 16 of the Banking Act of 1933. However, it does not appear that these sections were inserted in the bill at even approximately the same time, and it is felt that an argument such as you suggest can be given little weight in this connection.

You also contend that Section 5136, Revised Statutes, as amended by Section 16 of the Banking Act of 1933, authorizes national banks to underwrite securities issued by States and political subdivisions of States, this provision being made applicable to all member banks, and you suggest that it would be unreasonable to require a member bank to obtain a permit in order to participate in an underwriting when it would be authorized to underwrite the whole issue, by the statutory provisions above referred to. However, those statutory provisions relate to dealings in investment securities by member banks; whereas Section 32 is concerned with relationships between member banks and dealers in securities.

Therefore, it seems that even if a transaction would be

-4-

X-7765

permissible under the provisions of Section 5136, Revised Statutes, if standing alone, it might nevertheless fall within the prohibitions of Section 32 if it formed part of a regular association between a member bank and a dealer in securities.

It appears that it is the established practice for The "R" Company to be one of the principals of a group headed by The "X" Company which bids for bonds issued by the State of "J", and that the association is as regular as the nature of such dealings permits. It would seem possible that a less regular association might also come within the prohibitions of Section 32, but the Federal Reserve Board is of the opinion that, on the basis of the facts appearing from your letter, The "R" Company is a "correspondent bank" of The "X" Company in connection with the purchase, underwriting, and/or flotation of bonds of the State of "J", and that the continuation of such relationship would, therefore, be prohibited by the provisions of Section 32 unless the Federal Reserve Board should issue a permit therefor.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

49

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7767

January 25, 1934.

SUBJECT: New Issues of Treasury Notes and
Treasury Certificates of Indebtedness.

Dear Sir:

In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code words have been designated to cover new issues of Treasury Notes and Treasury Certificates of Indebtedness:

"NOWHYSON" $2\frac{1}{2}\%$ Treasury Notes, Series C-1935, to be dated January 29, 1934, and to mature March 15, 1935.

"NOWHOBORD" $1\frac{1}{2}\%$ Treasury Certificates of Indebtedness, Series TS-1934, to be dated January 29, 1934, and to mature September 15, 1934.

These code words should be inserted in the Federal Reserve Telegraphic Code book, on page 172.

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7768

January 26, 1934.

SUBJECT: Code Word Covering New Issue
of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOXGOT" has been designated to cover a new issue of Treasury Bills, dated January 31, 1934, and maturing May 2, 1934.

This word should be inserted in the Federal Reserve Telegraph Code Book, following the supplemental code word "NOXGIB" on page 172.

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7769

January 30, 1934.

SUBJECT: Expense, Main Lines, Leased Wire
System, December, 1933.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7769-a and X-7769-b, covering in detail operations of the main lines, Leased Wire System, during the month of December, 1933.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the account of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,



Fiscal Agent.

Inclosures.

TO GOVERNORS OF ALL F. R. BANKS.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER, 1933.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Percent of total Bank business
Boston	37,443	3,031	40,474	4.50
New York	163,249	-	163,249	18.14
Philadelphia	34,781	2,666	37,447	4.16
Cleveland	58,579	2,154	60,733	6.75
Richmond	62,445	2,600	65,045	7.23
Atlanta	56,254	2,776	59,030	6.56
Chicago	96,782	3,006	99,788	11.09
St. Louis	65,565	2,843	68,408	7.60
Minneapolis	43,878	2,532	46,410	5.15
Kansas City	80,911	2,422	83,333	9.26
Dallas	67,838	5,260	73,098	8.12
San Francisco	99,490	3,475	102,965	11.44
Total	867,215	32,765	899,980	100.00

F. R. Board business 403,687 1,303,667

Reimbursable business Incoming & Outgoing. 773,968

Total words transmitted over main lines. 2,077,635

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7769-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, DECEMBER, 1933.

Name of Bank	Operators' salaries	Operators' overtime	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$ 2.00	\$ -	\$262.00	\$672.13	\$262.00	\$410.13
New York	1,284.30	6.00	-	1,290.30	2,709.44	1,290.30	1,419.14
Philadelphia	225.00	-	-	225.00	621.35	225.00	396.35
Cleveland	306.66	-	-	306.66	1,008.20	306.66	701.54
Richmond	202.00	-	230.00 (&)	432.00	1,079.89	432.00	647.89
Atlanta	270.00	-	-	270.00	979.82	270.00	709.82
Chicago	3,986.60 (#)	1.00	-	3,987.60	1,656.43	3,987.60	2,331.17 (*)
St. Louis	195.00	2.25	-	197.25	1,135.15	197.25	937.90
Minneapolis	207.45	-	-	207.45	769.22	207.45	561.77
Kansas City	287.00	-	-	287.00	1,383.10	287.00	1,096.10
Dallas	251.00	-	-	251.00	1,212.82	251.00	961.82
San Francisco	380.00	-	-	380.00	1,708.71	380.00	1,328.71
Federal Reserve Board	-	-	15,707.43	15,707.43	-	-	-
Total	\$7,855.01	\$11.25	\$15,937.43	\$23,803.69	\$14,936.26	\$8,096.26	\$ 9,171.17
							2,331.17 (a)
							\$ 6,840.00

Reimbursable charges:

Treasury Department.	\$2,402.83
Reconstruction Finance Corporation .	5,076.76
Exp. Nat. Bkg. Emergency Act, 3-9-33	1,177.30
Federal Home Loan Bank Board	1.83
Department of Agriculture.	5.96
Federal Deposit Insurance Corporation	4.53
Civil Works Administration	8.12
Comp. Currency Div. Insolv. Nat. Bks.	95.88
Farm Credit Administration:	
Federal Farm Loan Bureau	16.93
Federal Farm Board	77.29
Less Reimbursable Charges.	\$8,867.43

\$14,936.26

(&) Main line rental, Richmond-Washington

(#) Includes salaries of Washington operators

(*) Credit

(a) Amount reimbursable to Chicago

FEDERAL RESERVE BOARD

WASHINGTON

54

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7770

February 1, 1934.

SUBJECT: Clayton Act Applications Submitted
in Groups.

Dear Sir:

In a few instances where a number of applications have been made pursuant to the Clayton Act, for permission to serve the same banks, the Federal reserve agent has submitted only one report on F.R.B. Form 94b, covering all the applications in the group. Although the replies to some of the questions on that form would apply equally to all the applications involved in a group of this kind, certain of the questions require individual answers. For example, question 13 asks whether the applicant is discharging his responsibilities by attending directors' meetings or otherwise.

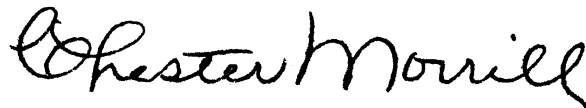
It is felt that such questions should be answered separately with respect to each applicant, particularly since it has been found in one or two instances that a general answer which was intended to apply to all the applicants was not accurate. It is suggested, therefore, that in cases where applications are submitted in a group, a separate F.R.B. Form 94b for each applicant

- 2 -

be filled out.

There would appear to be no objection, where applications are submitted in a group, to furnishing only one copy of the statement of condition and answers to questions on F.R.B. Form 94a for each of the banks involved, provided questions 13, 14 and 15 are answered separately as to each of the applicants.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill". The signature is written in dark ink and is positioned above the typed name and title.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

February 1, 1934.

Mr. Albert C. Agnew, Counsel,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Agnew:

I regret that pressure of other matters of the utmost importance and urgency has prevented an earlier acknowledgment of your letters of December 11 and December 21, 1933, and your telegrams of January 10 and January 19, 1934, all with reference to the case of Nordskog v. Federal Reserve Bank of San Francisco.

I was very glad to learn from your telegram of January 19, 1934, that the court had granted your motion to dismiss the suit for improper venue. In the light of the statements contained in your telegram of January 10, I assume that the plaintiff will not re-file his suit in San Francisco, especially in view of the fact that the gold question seems to have been settled by the Gold Reserve Act of 1934, which was approved by the President on January 30, 1934.

It was the issues involved in the Gold Reserve Act of 1934 and the discussions which preceded it and which had been going on since the latter part of September, 1933, that caused me to attach so much importance to the Nordskog suit.

Mr. Albert C. Agnew - - 2

Those matters having been disposed of, I doubt that the suit would be of any importance even if the plaintiff should re-file it in San Francisco and attempt to prosecute it vigorously. However, if there are any further developments in the case, I shall appreciate it if you will keep me promptly advised.

Thanking you for your cooperation in this matter and with all best wishes, I am

Cordially yours,

(Signed) Walter Wyatt

Walter Wyatt,
General Counsel.

X-7772

F E D E R A L R E S E R V E B O A R D
STATEMENT FOR THE PRESS

For immediate release.

February 1, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 1-1/2 per cent effective February 2, 1934.

FEDERAL RESERVE BOARD

59

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7773

February 2, 1934.

SUBJECT: Code Words Covering New Issues of
Treasury Bills.

Dear Sir:

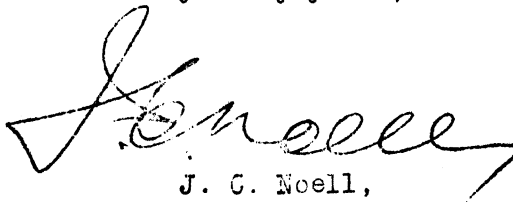
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXGUY" - Treasury Bills dated February 7, 1934,
and maturing May 9, 1934.

"NOXHAR" - Treasury Bills dated February 7, 1934,
and maturing August 8, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXGOT" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

60

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7774

February 2, 1934.

SUBJECT: Changes in Inter-District Time Schedules.

Dear Sir:

Upon agreement between the Federal reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedules for cash items:

		<u>From</u>	<u>To</u>
Philadelphia	to Buffalo	2 days	1 day
"	" Cleveland	2 "	1 "
"	" Omaha	3 "	2 days
"	" Denver	4 "	3 "
Cleveland	" Philadelphia	2 "	1 day
"	" Jacksonville	3 "	2 days
Pittsburgh	" Jacksonville	3 "	2 "
Atlanta	" Los Angeles	5 "	4 "
"	" San Francisco	5 "	4 "
"	" Boston	3 "	2 "
"	" Minneapolis	3 "	2 "
"	" Helena	5 "	4 "
"	" Omaha	3 "	2 "
"	" Buffalo	3 "	2 "
"	" Portland	5 "	4 "
"	" Spokane	5 "	4 "
Birmingham	" Minneapolis	3 "	2 "
"	" Helena	5 "	4 "
Jacksonville	" Los Angeles	5 "	4 "
"	" Cleveland	3 "	2 "
"	" El Paso	4 "	3 "
Nashville	" Denver	3 "	2 "
"	" Chicago	2 "	1 day
"	" Salt Lake City	4 "	3 days

- 2 -

		<u>From</u>	<u>To</u>
New Orleans	to Baltimore	3 days	2 days
"	" Pittsburgh	3 "	2 "
San Francisco	to New York	5 "	4 "
"	" Buffalo	5 "	4 "
"	" Philadelphia	5 "	4 "
"	" Cleveland	5 "	4 "
"	" Pittsburgh	5 "	4 "
"	" St. Louis	4 "	3 "
"	" Kansas City	4 "	3 "
"	" Omaha	4 "	3 "
"	" Dallas	4 "	3 "
Los Angeles	" New York	5 "	4 "
"	" Buffalo	5 "	4 "
"	" Philadelphia	5 "	4 "
"	" Cleveland	5 "	4 "
"	" Pittsburgh	5 "	4 "
"	" St. Louis	4 "	3 "
"	" Omaha	4 "	3 "
"	" Houston	4 "	3 "
"	" El Paso	3 "	2 "
Portland	" New York	5 "	4 "
"	" Buffalo	5 "	4 "
"	" Philadelphia	5 "	4 "
"	" Pittsburgh	5 "	4 "
"	" St. Louis	4 "	3 "
"	" Kansas City	4 "	3 "
"	" Omaha	4 "	3 "
Salt Lake City	" Kansas City	3 "	2 "
Seattle	" New York	5 "	4 "
"	" Buffalo	5 "	4 "
"	" Philadelphia	5 "	4 "
"	" Pittsburgh	5 "	4 "
"	" Omaha	4 "	3 "
Spokane	" New York	5 "	4 "
"	" St. Louis	4 "	3 "

Very truly yours,



Chester Morrill,
Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7775

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p. m.

February 2, 1934

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a rediscount rate of 2%, effective February 3, 1934.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

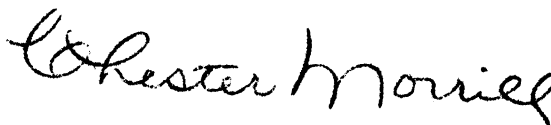
X-7776

February 5, 1934.

Dear Sir:

There is attached, for your information,
copy of a letter dated February 2, 1934, to Mr.
M. J. Fleming, Deputy Governor, Federal Reserve
Bank of Cleveland, with regard to the opening of
nonmember clearing accounts between now and July
1, 1936.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL GOVERNORS.

COPY

February 2, 1934

Mr. M. J. Fleming, Deputy Governor,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Fleming:

Receipt is acknowledged of your letter of January 9 with regard to the request of a nonmember bank in Ohio for the privilege of opening a clearing account, with the expectation of applying for membership when it is in a position to qualify.

Your suggestion that the opening of nonmember clearing accounts gradually between now and the middle of 1936 might be encouraged in order to eliminate a drain upon bank balances in reserve cities in 1936, because of the fact that under the law all banks which desire to retain membership in the Federal Deposit Insurance Corporation on July 1, 1936, must be members of the Federal reserve system, has been brought to the Board's attention, as have also your comments regarding the large excess reserves now held with the Federal reserve banks, which presumably would enable city banks to meet without difficulty any withdrawals at this time by correspondent nonmember banks for the purpose of establishing clearing accounts with the Federal reserve banks.

After reviewing this matter, the Board is of the opinion that requests of nonmember banks to open clearing accounts may

X-7776-a

Mr. M. J. Fleming - (2)

properly be approved provided, of course, the banks agree to comply with the applicable provisions of the Federal Reserve Act and the rules and regulations issued thereunder.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

X-7777

February 5, 1934

Mr. _____, Vice President,
The _____ National Bank,
_____, _____.

Dear Sir:

Your letter of October 6, 1933, addressed to Mr. _____
_____, Chief National Bank Examiner of the _____
Federal Reserve District, regarding the computation of reserves on
savings accounts, has been referred to the Federal Reserve Board for
reply. I regret that the pressure of other matters of urgent im-
portance arising under the Banking Act of 1933 has prevented an
earlier reply to your letter.

You request to be advised whether, in the event you
should require notice to be given with respect to all savings ac-
counts, a deposit with respect to which notice has been so required
and given must be regarded as a demand deposit for the purpose of
computing reserves thereon. In such circumstances, it is the view
of the Board that a deposit with respect to which notice has been
required and given must be classified as a demand deposit for the
purpose of computing reserves beginning thirty days prior to the
date when such deposit, under the terms of the notice, shall be pay-
able.

-2-

X-7777

You also request to be advised whether, if you decide to allow monthly withdrawals from savings deposits of sums up to \$100 without requiring notice of such withdrawals, you would be required to treat each account up to \$100 as a demand deposit for the purpose of computing reserves.

Although notice of withdrawal may not actually be required with respect to the sums in question, the bank still has the legal right to require such notice if it so desires, subject to the provisions of Section VI of Regulation Q. Therefore, if an account of the kind in question constitutes a savings account within the meaning of Regulation D, the entire amount thereof remains a savings account notwithstanding that the bank may permit the withdrawal of limited amounts from other similar accounts without requiring notice; and, accordingly, such deposits require a reserve of three per cent only. As stated, however, if notice of withdrawal is required and given, the amount which may be withdrawn pursuant to such notice must be classified as a demand deposit for reserve purposes from the time when, as the result of the giving of such notice, it is payable within thirty days.

It should be noted, however, that interest may be paid on deposits which conform to the definition of savings deposits contained in Regulation Q, in accordance with subsections (d) and (e)

-3-

X-7777

of Section V of that regulation, whether or not notice of withdrawal has actually been required or given with respect to such deposits.

For your information, copies of Regulations D and Q are inclosed herewith.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Inclosure

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks)

February 5, 1934.

Mr. _____,
_____,
_____,
_____.

Dear Sir:

This refers to your letter of December 4, 1933, addressed to Governor Black of the Federal Reserve Board, requesting to be advised whether a bank may issue a certificate of deposit which conforms to the definition of a "time certificate of deposit" as contained in the Board's Regulation Q, but which also includes a clause to the effect that "this bank reserves the right to require thirty days' written notice before payment", so that such certificate may be regarded as a time certificate of deposit for the purpose of computing reserves under Regulation D.

A deposit represented by a certificate which is payable at the expiration of a specified period not less than thirty days from the date of the certificate and which otherwise conforms to the definition of a time certificate of deposit contained in Regulation Q, but which also contains a reservation to the bank of the right to require thirty days' written notice before payment, may properly be classified as a time deposit within the meaning of Regulation Q relating to interest on deposits until the date of maturity specified in the certificate, and also within the meaning of

- 2 -

Regulation D relating to reserve requirements until the certificate is actually paid; except that in a case in which, in accordance with the provisions of the certificate, notice is given that payment will be required at or after the date of maturity specified therein, it must be classified as a demand deposit for the purpose of computing reserves beginning 30 days prior to the date on which the certificate is payable under the terms of such notice. After maturity the certificate is one with respect to which the bank merely reserves the right to require thirty days' written notice before payment and, as stated in footnote 4 of Regulation Q, while such a certificate may be classified as a time deposit for computing reserves, interest may not be paid thereon for the reasons there stated. Accordingly, if a deposit represented by such a certificate is not paid at the maturity specified therein, no interest accruing thereafter may lawfully be paid on such deposit but it may nevertheless be classified as a time deposit for the purpose of computing reserves until written notice is required and given, or, if notice is not required, until actually paid.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

February 6, 1934.

Mr. John N. Peyton,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Peyton:

This refers to your letter of December 19, 1933, requesting the advice of the Federal Reserve Board on the question whether a director of a national bank may lawfully obtain a permit from the Board to serve at the same time as a director of the _____ Morris Plan Company, operating under the laws of the State of Minnesota. The Federal Reserve Board has given careful consideration to the opinion of your counsel and the other documents inclosed with your letter with regard to this question.

Under the provisions of Section 8 of the Clayton Antitrust Act, as you know, the Federal Reserve Board is authorized to issue permits under certain conditions covering relationships between "banks, banking associations or trust companies" which are otherwise prohibited by any of the provisions of that Act but has no such authority with respect to other institutions; and the question is therefore presented whether the _____ Morris Plan Company is a bank, banking association or trust company within the meaning of the Clayton Act.

It appears that the _____ Morris Plan Company is subject to the provisions of Chapter 246 of the Minnesota laws of 1933, relating

Mr. John N. Peyton.

-2-

to "industrial loan and thrift companies" and that under that act such company is prohibited from carrying commercial or demand banking accounts, from using the word "bank" or "banking" in its corporate name, and from receiving savings accounts or other deposits. It appears, however, that the _____ Morris Plan Company is authorized to discount or purchase notes, bills of exchange, acceptances or other choses in action and that it issues interest-bearing certificates of indebtedness which may be issued "under any descriptive name" and which are redeemable by the owners thereof on thirty days' notice in writing. While termed "investment certificates" such certificates nevertheless actually represent deposits and serve the same purpose as certificates of deposit. Notwithstanding the provisions of the State law, therefore, it appears that the company does receive deposits as a matter of fact. It appears also that the company is authorized to lend money upon the security of co-makers, personal chattels or other property, exclusive of real estate, and to require that the borrower purchase and pledge with the company as security a certificate of indebtedness of the company in the same amount as the loan secured thereby, providing for payments in periodic installments extending over substantially the period of the loan. It further appears that the _____ Morris Plan Company is subject to the same supervision and control by the State Banking Department as State banks engaged in other forms of banking business. In the circumstances, it is the opinion of the Federal Reserve Board that the _____ Morris Plan Company exercises the functions of a bank and is therefore properly to be regarded as a bank or

Mr. John N. Peyton.

-3-

banking institution within the meaning of the provisions of the Clayton Antitrust Act.

It is understood, however, that the _____ Morris Plan Company is an institution which does no commercial banking business and the further question is therefore presented whether the Board is authorized under Section 8 of the Clayton Act to grant permits covering relationships between national banks and other banking institutions which do no commercial banking business. In this connection it is to be noted that the first proviso of Section 8 of the Clayton Act as amended by the Act of March 2, 1929, is as follows: "Provided, That nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares, to joint-stock land banks organized under the provisions of the Federal Farm Loan Act, or to other banking institutions which do no commercial banking business:" and the last proviso of the section as amended by the Act of March 9, 1928, reads as follows: "And provided further, That nothing in this Act shall prohibit any private banker from being an officer, director, or employee of not more than two banks, banking associations, or trust companies, or prohibit any officer, director, or employee of any bank, banking association, or trust company, or any class A director of a Federal reserve bank, from being an officer, director, or employee of not more than two other banks, banking associations, or trust companies, whether organized under the laws of the United States or any State, if in any such case there is in force a permit therefor issued by the Federal Reserve Board; and the Federal Reserve Board is authorized to issue

X-7779

Mr. John N. Peyton.

-4-

such permit if in its judgment it is not incompatible with the public interest, and to revoke any such permit whenever it finds, after reasonable notice and opportunity to be heard, that the public interest requires its revocation."

Notwithstanding the literal import of the first proviso mentioned, it appears that the purpose of the amendment of March 2, 1929 was to restrict the scope of the prohibitions of Section 8 of the Clayton Act and that to interpret the statute in such a way as to broaden the prohibitory effect of the provisions of the now existing law would be inconsistent with the intention of Congress in this respect. After a careful consideration of the provisions of the statute as a whole, the Board is of the opinion that the authority conferred by the last proviso clause in Section 8 should be considered as controlling with respect to this question and, accordingly, that the Board may lawfully grant a permit covering relationships between national banks and other banking institutions which do no commercial banking business.

The Board will therefore give consideration to applications, if and when submitted, covering interlocking directorates between a national bank and the _____ Morris Plan Company.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7780

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p.m.

February 7, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of St. Louis has established a re-discount rate of $2\frac{1}{2}\%$, effective February 8, 1934.

X-7781

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 P. M.

February 7, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of 2 per cent, effective February 8, 1934.

X-7782

F E D E R A L R E S E R V E B O A R D
STATEMENT FOR THE PRESS

For release at 4:00 p.m.

February 7, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of Dallas has established a rediscount rate of 3 per cent, effective February 8, 1934.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7783

February 8, 1934

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

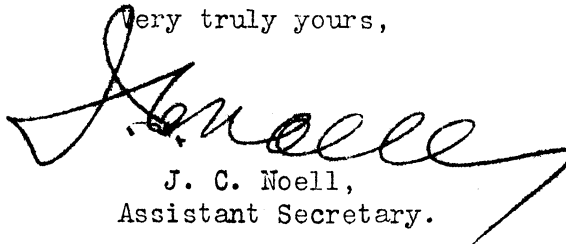
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXHED" - Treasury Bills dated February 14, 1934,
and maturing May 16, 1934.

"NOXHIK" - Treasury Bills dated February 14, 1934,
and maturing August 15, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXHAR" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-7784

February 8, 1934

For release at 3:00 p.m.

The Federal Reserve Board announces that the Federal Reserve Bank of Richmond has established a rediscount rate of 3 per cent, effective February 9, 1934.

X-7785

F E D E R A L P E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 4:30 p.m.

February 8, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of Kansas City has established a rediscount rate of 3 per cent, effective February 9, 1934.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7786

February 9, 1934.

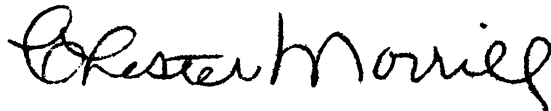
SUBJECT: Establishment of Out-of-Town Branches
by State Member Banks.

Dear Sir:

This refers to and supplements the Board's letter of September 13, 1933 (X-7587), with regard to the establishment of out-of-town branches by State member banks. In addition to your recommendation and comments and a copy of the complete report of the most recent examination of the bank requested in that letter you are requested, when you submit to the Federal Reserve Board for transmission to the Comptroller of the Currency an application for the approval of the establishment and operation of an out-of-town branch by a State member bank, to furnish the Board with (1) information regarding the number of branches which the member bank will have including the proposed branch which is the subject of the application and where each such branch is located, together with the date of its establishment, (2) advice as to present banking facilities in the place in which the branch will be located, (3) advice of your judgment as to the opportunity for the successful operation of a branch at that place by the member bank, (4) advice as to the scope of the functions and the character of the business which will be performed by the branch, (5) detailed information regarding the policy proposed

to be followed with reference to supervision of the branch by the head office, (6) advice as to whether the appropriate State authorities have approved the establishment of the branch and (7) a copy of an opinion of the counsel for the Federal reserve bank as to whether the branch would be established in conformity with requirements of the Federal Reserve Act in view of the provisions of the State law, including therein a copy of the State law authorizing the establishment of branches or a reference thereto. It is understood of course, that in each case the Board will be furnished with any other detailed information with reference to the circumstances involved in the particular case which will be of assistance to the Board in advising the Comptroller of the Currency of its views as to whether or not the establishment and operation of the branch should be approved.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill". The signature is written in dark ink and is centered below the "Very truly yours," text.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

X-7787

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 4:30 p. m.

February 9, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of Atlanta has established a rediscount rate of 3%, effective February 10, 1934.

K-7788

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 6, 1934.

Messrs. _____,
_____,
_____,
_____.

Gentlemen:

I regret that the pressure of other matters of importance arising under the Banking Act of 1933 has prevented the Board from making an earlier reply to your letter of August 2, 1933, in which you request an interpretation of Section 23A of the Federal Reserve Act as amended.

You call attention to the fact that, while this section places restrictions upon the making of loans and extensions of credit by a member bank to any of its affiliates and investments in the stock of such affiliates, it is provided that the provisions of the section shall not apply to certain classes of affiliates, including those in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act as amended; and you request to be advised whether this exception should be construed as extending to the subsidiary corporations of such an affiliate. In your particular case, you state that a bank has been organized under the laws of a foreign country; that all the stock of such bank, except shares held by directors, is owned by a Connecticut corporation which is purely a holding company; and that

this holding company is controlled by a banking corporation which is an affiliate of a member bank of the type expressly excepted by the above-mentioned provision of Section 23A of the Federal Reserve Act.

The provisions of Section 23A of the Federal Reserve Act do not apply to any affiliate "in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act, as amended". It is understood that the corporations concerning which you inquire are not corporations in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act; and it is the view of the Federal Reserve Board that there is no proper basis for an interpretation of the statute under which they would be considered to be such corporations merely by reason of the fact that they are subsidiaries of a corporation in which national banks are authorized to invest pursuant to the said Section 25.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

86

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7789

February 13, 1934.

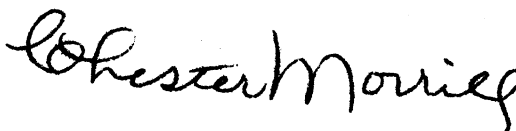
SUBJECT: Changes in inter-district time schedule.

Dear Sir:

Upon agreement between the Federal Reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedule for cash items:

	<u>From</u>	<u>To</u>
Buffalo to Philadelphia	2 days	1 day
Buffalo to Atlanta	3 "	2 days

Very truly yours,



Chester Morrill,
Secretary.

LETTER TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD

87

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7790

February 14, 1934.

SUBJECT: Code Words Covering New
Issues of Treasury Notes.

Dear Sir:

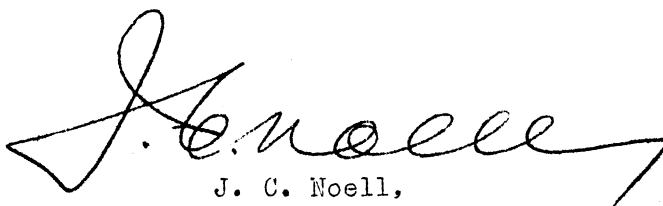
In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code words have been designated to cover new issues of Treasury Notes:

"NOWHOBOUR" 2 $\frac{1}{2}$ % Treasury Notes, Series D-1935, to be dated February 19, 1934, and to mature December 15, 1935.

"NOWHOBOWL" 3% Treasury Notes, Series C-1937, to be dated February 19, 1934, and to mature February 15, 1937.

These code words should be inserted in the Federal Reserve Telegraph Code book, on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

F E D E R A L R E S E R V E B O A R D

88

STATEMENT FOR THE PRESS

For immediate release.

February 15, 1934.

Governor Black of the Federal Reserve Board has received from the President of the United States the following letter, dated February 10, 1934:

"My dear Governor:

Several days ago I approved the Gold Reserve Act of 1934.

The law itself in no way impairs the strength of the Federal Reserve Banks. They have simply exchanged their gold for gold certificates issued by the Treasury and collateralized by one hundred percent of gold. These gold certificates so collateralized with gold supply all Reserve requirements of the Reserve Act. This bill interferes in no way with the credit, currency or supervisory responsibilities of the Reserve Banks. Their powers will continue to be exercised in the interest of Agriculture, Commerce and Industry, just as they have been for the past twenty years.

It gives me pleasure at this time to express my appreciation of the splendid services that the Federal Reserve System has rendered in connection with our efforts to bring about recovery. It has been an institution of incalculable value throughout the twenty years of its existence; soon after its organization it was an important factor in enabling this country to aid in winning the war; and more recently it has given firm support to the Government's efforts in fighting the depression. It has stood loyally by the interests of the people by supplying them with a sound currency, by placing at the disposal of member banks a large volume of reserves available to finance recovery, by exerting a powerful influence toward the rehabilitation of the commercial banking structure, and by cooperating in every way with the Government's financial program.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT."

X-7792

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 6:00 p. m.

February 15, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of San Francisco has established a rediscount rate of 2 per cent, effective February 16, 1934.

X-7793

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 3, 1934.

Mr. _____,
_____,
_____.

Dear Sir:

This refers to your letter of January 12, 1934, in which you request to be advised whether a member bank of the Federal Reserve System may lawfully issue a time certificate of deposit payable in ninety days and bearing interest at the rate of 3 per cent per annum. You suggest that if the interest so paid on such a certificate be added to the renewal of the certificate, the amount of interest ultimately paid would appear to exceed the maximum rate now allowed under the Federal Reserve Board's Regulation Q.

Inasmuch, however, as an original certificate of deposit and a renewal certificate must be regarded as separate contracts, it is the view of the Federal Reserve Board that the payment of interest at the rate of 3 per cent per annum on a time certificate payable at the expiration of ninety days or at the expiration of any other period (not less than thirty days), whether such interest is paid in cash at maturity or added to the renewal certificate, does not constitute a violation of Section III(c) of Regulation Q, which provides that no member bank shall pay interest, accruing after October 31, 1933, on any time deposit or any part thereof at a rate in excess of 3 per cent per annum, compounded semiannually. In this connection, it should be

-2-

X-7793

noted that if such a certificate is reissued, no interest may lawfully be paid for the period between the date of maturity of the original certificate and the date on which the renewal certificate is actually issued.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

92

WASHINGTON

X-7794

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 19, 1934.

SUBJECT: Code Word Covering New
Issue of Treasury Bills.

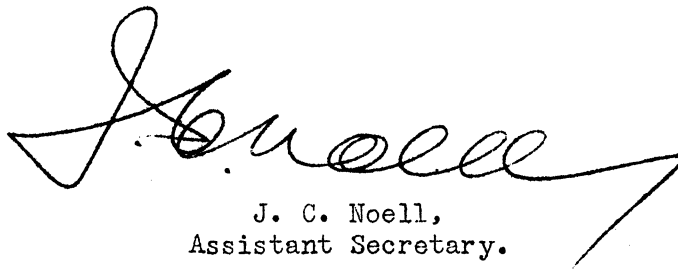
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXHOB" - Treasury Bills dated February 21, 1934, and maturing May 23, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXHIK" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7795

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 14, 1934.

WILLIAMS - CLEVELAND

Fletcher's wire January 16 Board is of opinion that a Federal Home Loan Bank organized under Federal Home Loan Bank Act of 1932 is a bank organized under laws of United States within meaning of Clayton AntiTrust Act and that therefore prohibitions of Section 8A will apply to a director, officer or employee thereof who is serving another organization which makes loans secured by stock or bond collateral, unless a permit is obtained from the Board.

MORRILL

X-7796

FEDERAL RESERVE BOARD
STATEMENT FOR THE PRESS

For immediate release.

February 20, 1934.

The first meeting of the Federal Advisory Council for 1934 was held on Tuesday, February 20. Mr. Walter W. Smith was re-elected President and Mr. Howard A. Loeb was elected Vice President. These officers as ex-officio members and Messrs. Frew, McEldowney, Kemper and Steele will comprise the Executive Committee. Mr. Walter Lichtenstein was reappointed Secretary.

The Council is composed of the following members:

Federal Reserve

- District No. 1. Thomas M.. Steele, of New Haven, Conn.
- No. 2. Walter E. Frew, of New York, N. Y.
- No. 3. Howard A. Loeb, of Philadelphia, Pa.
- No. 4. H. C. McEldowney, of Pittsburgh, Pa.
- No. 5. Howard Bruce, of Baltimore, Md.
- No. 6. H. Lane Young, of Atlanta, Ga.
- No. 7. (Vacancy)
- No. 8. Walter W. Smith, of St. Louis, Mo.
- No. 9. Theodore Wold, of Minneapolis, Minn.
- No. 10. W. T. Kemper, of Kansas City, Mo.
- No. 11. Joseph H. Frost, of San Antonio, Texas.
- No. 12. M. A. Arnold, of Seattle, Wash.

FEDERAL RESERVE BOARD

95

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7797

February 20, 1934.

SUBJECT: Holidays during March, 1934.

Dear Sir:

The Federal Reserve Board is advised that the following holidays will be observed by Federal Reserve banks and branches during March, 1934:

Friday, March 2,	Dallas El Paso Houston San Antonio	Texas Independence Day
Monday, March 26,	Baltimore	Maryland Day
Friday, March 30,	Philadelphia Pittsburgh Baltimore Jacksonville Nashville New Orleans Memphis Minneapolis Havana Agency	Good Friday

On the dates given the banks mentioned will not participate in either the transit or the Federal Reserve note clearing through the Gold Settlement Fund. Please include transit clearing credits for the offices affected on each of the holidays with your credits for the following business day. No debits covering shipments of

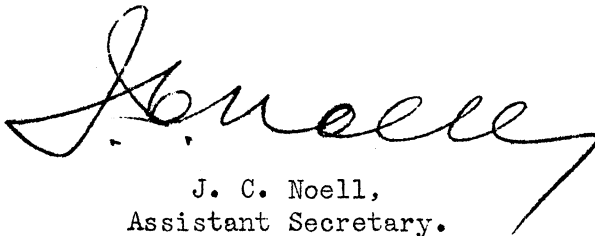
-2-

X-7797

Federal Reserve notes for the head offices concerned should be included in your note clearings of March 2 and 30.

Please notify branches.

Very truly yours,

A handwritten signature in cursive script, appearing to read "J. C. Noell", with a long, sweeping horizontal stroke extending to the right.

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7799

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 19, 1934.

_____,
_____,
_____.

Dear Sir:

I regret that the pressure of other matters of urgent importance arising under the Banking Act of 1933 has prevented the Board from making an earlier reply to your letters of December 5, and December 23, 1933, regarding the withdrawal of savings deposits.

You request to be advised whether the Federal Reserve Board's Regulation Q makes it mandatory for the board of directors of each member bank to pass a regulation stating what portion or percentage of savings deposits may be withdrawn without the giving of notice. As you know, Section VI (c) of that regulation provides that no member bank shall change its practice with respect to the requiring or waiving of notice of intended withdrawal of savings deposits "except after duly recorded action of its board of directors or of its executive committee properly authorized." Accordingly, it is not required that the board of directors or executive committee take such action unless the bank shall change its practice in this regard. However, even where there is no such change in practice, there is no objection to such action on the part of the board of directors or executive committee formally prescribing the practice to be followed and in some cases this may be desirable in order to eliminate any

uncertainty in the matter.

You are apparently under the impression that a member bank may not pay the entire amount of any savings deposit without requiring notice of withdrawal. As you know, however, under the provisions of Section VI of Regulation Q, a member bank may pay any portion or percentage of the savings deposits of any depositor without requiring such notice if, upon request and without requiring such notice, it shall pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement; and it is permissible under this section of the regulation for a member bank to pay the entire amount of any savings deposit provided that it complies with the condition mentioned and also with the other applicable conditions of Section VI of the regulation.

You further request to be advised whether a member bank may allow the withdrawal of the sum of \$100 in any one month on any savings account consisting of less than \$1,000, without requiring notice of such withdrawal, and allow the withdrawal of 10% in any one month of any savings account consisting of more than \$1,000 without requiring notice. Section 19 of the Federal Reserve Act provides in part that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement and it is assumed that all the deposits in question are deposits "having the same requirement" within the meaning of the law. In accordance with this provision of the statute,

-3-

X-7799

the Board has provided in its Regulation Q that "if a member bank pay any portion or percentage of the savings deposit of any depositor, without requiring such notice, it shall, upon request and without requiring such notice, pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement". The Federal Reserve Board has construed the word portion in this provision of its regulation as including a specified amount. Under the plan concerning which you inquire, however, a member bank would permit the withdrawal without notice of a certain specified amount of some savings accounts and a certain percentage from other savings accounts. Such a plan does not permit the withdrawal from all deposits without notice either of the same amount or of the same percentage. While under the Board's regulation the withdrawal without notice either of a certain percentage of all savings deposits or of a certain specified amount of all such deposits is permissible, a plan under which there may be withdrawn without notice a percentage of some deposits and a specified amount from others does not comply with the requirement of the regulation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

X-7801

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

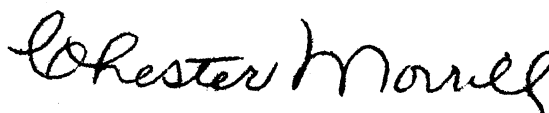
February 21, 1934.

SUBJECT: Extension of Section 10(b)
of Federal Reserve Act.

Dear Sir:

In accordance with the telegram sent you today, there is attached a copy of the proclamation signed by the President of the United States on February 16, 1934, prescribing an additional period of one year after March 3, 1934, during which advances may be made by any Federal Reserve Bank under the provisions of Section 10(b) of the Federal Reserve Act, as amended.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL CHAIRMEN AND GOVERNORS OF F. R. BANKS.

COPY

X-7801-a

EXTENDING FOR 1 YEAR THE PERIOD WITHIN WHICH ADVANCES
MAY BE MADE UNDER SECTION 10(B) OF THE FEDERAL RESERVE

ACT AS AMENDED

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS section 10(b) of the Federal Reserve Act as amended by the act of February 27, 1932 (ch. 58, 47 Stat. 56), by the act of February 3, 1933 (ch. 34, 47 Stat. 794), and by the Act of March 9, 1933 (Public, No. 1, 73d Cong.), reads as follows:

"Sec. 10(b). In exceptional and exigent circumstances, and when any member bank has no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal reserve bank or any other method provided by this Act other than that provided by section 10(a), any Federal reserve bank, under rules and regulations prescribed by the Federal Reserve Board, may make advances to such member bank on its time or demand notes secured to the satisfaction of such Federal reserve bank. Each such note shall bear interest at a rate not less than 1 per centum per annum higher than the highest discount rate in effect at such Federal reserve bank on the date of such note. No advance shall be made under this section after March 3, 1934, or after the expiration of such additional period not exceeding one year as the President may prescribe."; and

WHEREAS I, FRANKLIN D. ROOSEVELT, President of the United States of America, deem it advisable that the authority of the Federal reserve banks to make advances under the provisions of said section 10(b) of the Federal Reserve Act be continued for an additional period after March 3, 1934;

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, acting under and by virtue of the authority conferred upon me by said section 10(b) of the Federal Reserve Act, do hereby proclaim, declare, and prescribe an additional period of 1 year after March 3, 1934, during which advances may be made by any Federal reserve bank under the provisions of said section.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE at the City of Washington this 16th day of February, in the
year of our Lord nineteen hundred and thirty-four, and
(SEAL) of the Independence of the United States of America
the one hundred and fifty-eighth.

(Signed) Franklin D. Roosevelt

By the President:

(Signed) Cordell Hull

Secretary of State.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

K-7802

February 24, 1934.

SUBJECT: Code Word Covering New
Issue of Treasury Bills.

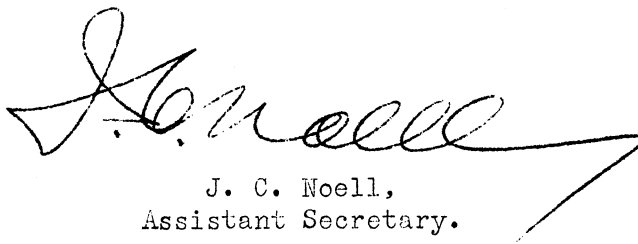
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXHUN" - Treasury Bills to be dated February 28, 1934, and to mature August 29, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXHOB" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7805

February 28, 1934.

SUBJECT: Expense, Main Lines, Leased Wire
System, January, 1934.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7805-a and X-7805-b, covering in detail operations of the main lines, Leased Wire System, during the month of January, 1934.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the account of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,



Fiscal Agent.

Inclosures.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY, 1934.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Per cent of total Bank business (*)
Boston	39,423	1,999	41,422	4.51
New York	161,801	-	161,801	17.60
Philadelphia	34,474	1,908	36,382	3.96
Cleveland	60,507	1,638	62,145	6.76
Richmond	59,989	1,947	61,936	6.74
Atlanta	60,848	1,998	62,846	6.84
Chicago	96,550	2,118	98,668	10.73
St. Louis	71,732	2,122	73,854	8.03
Minneapolis	45,879	1,979	47,858	5.21
Kansas City	93,004	1,991	94,995	10.34
Dallas	66,495	4,709	71,204	7.75
San Francisco	102,608	3,358	105,966	11.53
Total	893,310	25,767	919,077	100.00
F. R. Board business				422,454 1,341,531
Reimbursable business Incoming & Outgoing				889,759
Total words transmitted over main lines				2,231,290

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7805-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, JANUARY, 1934.

X-7805-b

Name of Bank	Operators' salaries	Operators' overtime	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$4.00	\$ -	\$264.00	\$654.92	\$264.00	\$390.92
New York	1,284.14	23.00	-	1,307.14	2,555.81	1,307.14	1,248.67
Philadelphia	225.00	-	-	225.00	575.06	225.00	350.06
Cleveland	306.66	-	-	306.66	981.66	306.66	675.00
Richmond	190.00	-	230.00 (&)	420.00	978.76	420.00	558.76
Atlanta	270.00	-	-	270.00	993.28	270.00	723.28
Chicago	4,076.03 (#)	34.00	-	4,110.03	1,558.17	4,110.03	2,551.86 (*)
St. Louis	195.00	1.50	-	196.50	1,166.09	196.50	969.59
Minneapolis	193.60	-	-	193.60	756.58	193.60	562.98
Kansas City	287.00	11.40	-	298.40	1,501.54	298.40	1,203.14
Dallas	251.00	-	-	251.00	1,125.42	251.00	874.42
San Francisco	380.00	-	-	380.00	1,674.34	380.00	1,294.34
Federal Reserve Board	-	-	15,982.08 (b)	15,982.08	-	-	-
Total	\$7,918.43	\$73.90	\$16,212.08	\$24,204.41	\$14,521.63	\$8,222.33	\$8,851.16 2,551.86 (a) 6,299.30

Reimbursable charges:

Treasury Department	\$2,268.49
Reconstruction Finance Corporation . .	4,949.39 (b)
Exp. Nat'l Bkg. Emergency Act 3-9-33 .	2,148.01
Federal Deposit Insurance Corporation .	45.20
Postal Savings System	32.53
Comp. Currency Div. Insolv. Nat'l Bks..	120.44
Farm Credit Administration	76.30
Central Banks Cooperatives	16.29
Home Owners Loan Corporation	17.76
Department Agriculture	7.48
Civil Works Administration . . . . .	.89
Less Reimbursable Charges	\$9,682.78
	\$14,521.63

(&) Main line rental, Richmond-Washington

(#) Includes salaries of Washington operators

(*) Credit

(a) Amount reimbursable to Chicago

(b) This figure includes \$51.44 cost of overtime wire used by R. F. C. on December 31, 1933.

FEDERAL RESERVE BOARD

WASHINGTON

X-7806

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

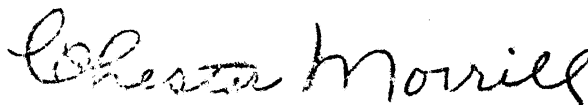
February 28, 1934.

SUBJECT: Examination of Member Banks
for Certification to Federal
Deposit Insurance Corporation.

Dear Sir:

There is attached, for your information, copy of a letter addressed by the Board under date of February 21, 1934, to the Federal Reserve Agent at the Federal Reserve Bank of Boston, with regard to the question whether it will be necessary to examine State banks after they have become members of the Federal Reserve System when such banks have already been certified as members of the Temporary Federal Deposit Insurance Fund and would automatically become eligible for permanent insurance if they continued to be non-members.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS EXCEPT BOSTON.

COPY

X-7806-a

February 21, 1934.

Mr. Frederic H. Curtiss,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Curtiss:

In your letter of January 4, 1934, you referred to the fact that certain State banks which have applied for membership in the Federal Reserve System but which have not yet become members have been certified for the Temporary Federal Deposit Insurance Fund and you request to be advised whether it will be necessary for you to examine such banks after they may have become members of the System in view of the fact that they have already been certified as members of the Temporary Fund and would automatically become eligible for permanent insurance if they continued to be non-members.

As you know, under the provisions of Section 12B of the Federal Reserve Act, every member bank is required to apply to the Federal Deposit Insurance Corporation for Class A stock. Upon receipt of such an application from a State member bank, the corporation is required to request the Federal Reserve Board to certify upon the basis of a thorough examination of such bank whether or not its assets are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by the books of the bank; and the Board is required to make such certification as soon as practicable. Under the law, therefore, it appears that it will be necessary for the Federal Reserve Board to make such certification with respect to every State member

-2-

X-7806-a

bank which becomes a Class A stockholder of the corporation on or before July 1, 1934, regardless of the time of its admission to membership in the Federal Reserve System; and, accordingly, as suggested in the Board's letter of December 7, 1933 (X-7702), there should be a thorough examination of all State member banks, including those which may have recently become members of the System, on the basis of which the Board may discharge the duties imposed upon it by the law. There is no requirement, however, that the certification by the Board be made upon the basis of an examination which takes place after a bank becomes a member and an examination made in connection with an application for membership may properly be used for this purpose if sufficiently current and thorough. The Board feels that, if at all possible, the certification with respect to every State member bank should be based upon a report of examination made since January 1, 1934, although if necessary a thorough examination made in December, 1933, may be used as the basis for such certification.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7809

March 3, 1934.

SUBJECT: Code Word Covering New
Issue of Treasury Bills.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXISLE" - Treasury Bills to be dated March 7, 1934, and to mature September 5, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXHUN" on page 172.

Very truly yours,



J. C. Hoell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-7810

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 7, 1934.

SUBJECT: Charges for Examinations of
State Member Banks for Certifi-
cation to the Federal Deposit
Insurance Corporation.

Dear Sir:

There is attached, for your information, a copy of a letter addressed by the Board under date of March 2, 1934, to the Federal Reserve Agent at the Federal Reserve Bank of Boston with regard to charges for examinations of State member banks made in connection with certification to the Federal Deposit Insurance Corporation.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS EXCEPT BOSTON.

COPY

X-7810-a

March 2, 1934.

Mr. Frederic H. Curtiss,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston, Mass.

Dear Mr. Curtiss:

Receipt is acknowledged of your letter of February 12, 1934, regarding examinations of State member banks to be made in connection with the required certification to the Federal Deposit Insurance Corporation.

It is noted that it has been your practice to participate with State examiners in the examinations of State member banks, making no charge against banks in the three States where the participation of your examiners is confined largely to work in connection with the bank's loans and securities, but charging the member banks in the two States where the initiative and responsibility in the examinations rest largely with your examiners. You state that, in order to complete the program, it will probably be necessary to make some independent examinations, and ask for advice as to whether the bank should be charged in such instances.

The Board's letter of July 26, 1930, (X-6665), included the following provision:

"If a State examination is unsatisfactory, and an investigation will not provide sufficient information upon which the agents may act intelligently, a complete examination should be made for which the member bank should be charged. It is realized, however, that in some instances unusual circumstances may exist which would warrant the Board's exercising the discretion vested in it under the recent amendment and waiving charges for specific

"examinations. Any case which, in the opinion of the Federal reserve agent, warrants such special consideration should be submitted to the Board in advance, with a complete statement of the reasons why it is considered desirable to have the examination charges waived by the Board. Examinations of State banks incident to their admission to membership in the System may be made without charge."

In the circumstances it is the Board's opinion that charges may properly be waived for examinations of State member banks made solely to develop the information required for certification to the Federal Deposit Insurance Corporation, and that in such instances the question of waiving the charge should be left to the determination of the Federal Reserve Agent. The Board feels, however, that in cases where the examination is regarded as a regular examination of the nature for which charges have consistently been made, the charge should not be waived simply because of the fact that the report of examination will serve as a basis for certification to the Federal Deposit Insurance Corporation. It will be appreciated if you will advise the Board of each case in which a charge is not made for the examination giving a concise statement of the reasons why the charge was not made in the particular case.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7811

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks.)

March 7, 1934.

Mr. _____

_____.

Dear Sir:

The Federal Reserve Board has given further consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the _____ Bank Trust Company, _____, a member bank, and as a partner in the firm of _____, a dealer in securities, in the light of advice received through the Federal Reserve Agent at the Federal Reserve Bank of _____ that the arrangement under which the bank participated with the firm in accounts formed to bid for State, county and municipal securities, has been terminated.

After the most careful study, the Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in

-2-

X-7811

that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

It appears that _____ is engaged primarily in the underwriting, flotation and distribution of securities, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application, even though nothing has been called to its attention which would reflect in any degree upon your desirability as a director of the bank, except that the relationship covered by your application is within the prohibitions of Section 32.

Copies of this letter are being sent to _____ and _____ Bank Trust Company for their information and records.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

116

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7812

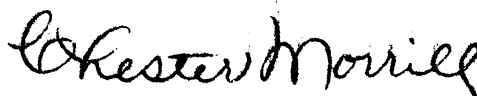
March 8, 1934.

SUBJECT: Continuance of Conservators'
General Accounts.

Dear Sir:

There is attached, for your information, a copy of a letter addressed by the Federal Reserve Board to the Comptroller of the Currency under date of March 7, 1934, with regard to the maintenance by a Federal reserve bank of the general account of a conservator after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL CHAIRMEN.

COPY

X-7812-a

March 7, 1934.

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

My dear Mr. Comptroller:

This is in reply to your memorandum of January 17, 1934, which has specific reference to the conservator of The Garden City National Bank, Garden City, Kansas, but in which you ask the Board to advise the various Federal reserve banks generally that if they desire to do so they may continue to carry the accounts of a conservator even after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator. Your letter states that the conservator of The Garden City National Bank has recently redeemed the bank's stock in the Federal Reserve Bank of Kansas City and that it is contemplated that the conservatorship will soon be terminated in order that the old bank may be returned to its Board of Directors for the sole purpose of entering into a contract under which the remaining liabilities of the old bank will be assumed by a newly organized bank pursuant to a plan of reorganization. It is understood that your letter refers to the "General Accounts" carried by conservators pursuant to the instructions issued by your office under date of April 4, 1933.

Although Federal reserve bank stock may not under the law be transferred or hypothecated, the proceeds thereof upon surrender and cancellation in a case such as you describe may be applied by the Federal reserve bank in payment for stock issued to the new bank, if this is properly authorized; and it is usually possible to arrange to obtain the proceeds of the stock of the old bank at or about the time stock is issued to the new bank. It is not entirely clear therefore, why it is necessary in cases such as you describe to surrender the stock standing in the name of the old bank prior to the organization of the new bank. However, in cases in which the Federal reserve bank is satisfied that it is necessary in the furtherance of the organization of a new member bank to succeed to the business of a national bank in the hands of a conservator, under a plan which has been actively instituted prior to cancellation of the Federal reserve bank stock of the old bank, the Federal Reserve Board will interpose no objection to the continued maintenance of the conservator's general account with the Federal reserve bank and acceptance of deposits therein for such period of time as may reasonably be required for the consummation of the plan and in no event after the completion of the organization of the new bank or after the date upon which it becomes evident that the plan will not be consummated.

Copies of this correspondence are being furnished to all Federal reserve banks for their information.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

119

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

K-7813

March 8, 1934.

SUBJECT: Code Word Covering New
Issue of Treasury Notes.

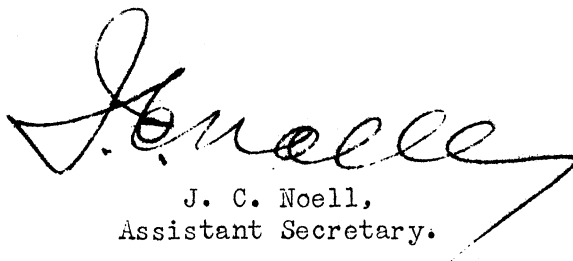
Dear Sir:

In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code word has been designated to cover a new issue of Treasury Notes:

"NOWHYTE" 3% Treasury Notes, Series C-1938,
to be dated March 15, 1934, and
to mature March 15, 1938.

This code word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOWHYSON" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7814

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes
Series 1928, February 1 to 28, 1934.

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>Total Sheets</u>	<u>Amount</u>
Boston,	-	40,000	-	40,000	\$3,300.00
New York,	-	184,000	32,000	216,000	17,820.00
Philadelphia,	-	48,000	12,000	60,000	4,950.00
Cleveland,	-	-	32,000	32,000	2,640.00
Richmond,	-	-	17,000	17,000	1,402.50
Atlanta,	40,000	10,000	-	50,000	4,125.00
Chicago,	-	60,000	36,000	96,000	7,920.00
St. Louis,	10,000	10,000	-	20,000	1,650.00
Minneapolis,	-	12,000	14,000	26,000	2,145.00
Kansas City,	-	-	15,000	15,000	1,237.50
San Francisco, . . .	-	12,000	10,000	22,000	1,815.00
	<u>50,000</u>	<u>376,000</u>	<u>168,000</u>	<u>594,000</u>	<u>\$49,005.00</u>

594,000 sheets, @ \$82.50 M, \$49,005.00

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7816

March 9, 1934.

SUBJECT: Deposits the Time of Payment of Which
Has Been Deferred Beyond the Period
Originally Contemplated.

Dear Sir:

The question has been raised in several cases presented to the Board for consideration whether the provision of Section 19 of the Federal Reserve Act that "no member bank shall pay any time deposit before its maturity" is applicable with respect to deposits which were originally received by a member bank either as demand deposits, savings deposits or ordinary time deposits but which prior to June 16, 1933, as a part of a general plan applicable to all or a large proportion of the deposits of the bank and entered into in order to prevent closing of the bank, to rehabilitate the bank, or for some similar purpose, were deferred as to time of payment beyond the period originally contemplated, either by agreement with depositors or otherwise. The specific question presented is whether the provision of law in question prevents the payment or the making available for withdrawal by a member bank of deposits of the kind mentioned, before the date specified at the time of deferment, when it is done as a part of a general plan applicable to all of the deferred deposits in the bank on a pro rata basis or, in case there is

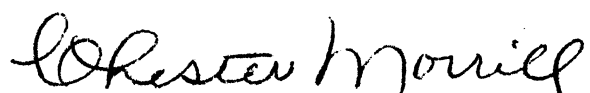
more than one class of such deferred deposits, to all of the deposits of one or more classes thereof on a pro rata basis.

Deposits of the kind under consideration are not time deposits of the ordinary type arising in the usual course of a bank's business. They are deposits of an extraordinary character arising out of transactions under which all or a large part of the deposits in the bank are affected. The payment of such deposits in the manner described is likewise an extraordinary transaction not arising in the usual course of business. Such deposits also are not subject to the contract contemplated by the parties at the time the original deposits were made. One of the purposes of legislation by Congress enacted during the past year has been to free bank assets and to provide funds to increase purchasing power; and in the circumstances it is not believed that payment of such deposits in the manner described comes within the spirit or purpose of the prohibition upon the payment of time deposits by a member bank before their maturity.

While it is recognized that the question may be the subject of some doubt, the Federal Reserve Board after careful consideration and in view of the purpose of the statute, has reached the conclusion that the law is not to be interpreted as preventing a member bank whose financial condition justifies such action from paying or making available for withdrawal deposits of the kind above described, before the date specified at the time of deferment of such deposits, as a part of a general plan entered into in good faith which is

applicable to all of the deferred deposits in the bank on a pro rata basis or, in case there is more than one class of such deferred deposits, to all of the deposits of one or more classes thereof on a pro rata basis.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill". The signature is written in dark ink and is centered on the page.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

X-7817

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 9, 1934.

SUBJECT: Issuance of Gold Certificates by Treasury
Department to Federal Reserve Banks.

Dear Sir:

At the meeting of the Federal Reserve Board with governors of Federal reserve banks on March 5, 1934, it was stated that the Treasury Department is now printing gold certificates in denominations of \$100,000, \$10,000, \$1,000 and \$100, to be issued to the Federal reserve banks upon request in payment of the credits established on the books of the Treasury Department pursuant to the provisions of the Gold Reserve Act of 1934, and that the department had expressed a willingness to deliver the gold certificates to the banks as soon as they are available. Consideration was given at the meeting to the question as to what, if any, action should be taken with regard to requesting the issuance to the Federal reserve banks by the Treasury Department of the gold certificates, and it was understood that the question would be considered by each Federal reserve bank and the Board advised of its wishes in the matter.

Very truly yours,

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7818

March 9, 1934.

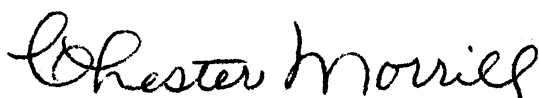
SUBJECT: Retirement of Federal Reserve Bank Notes.

Dear Sir:

At the meeting of the Federal Reserve Board with governors of Federal reserve banks on March 5, 1934, consideration was given to the policy to be followed by Federal reserve banks with regard to the retirement of Federal reserve bank notes, the suggestion having been made that it would be desirable for the banks to retire such notes as soon as possible in order to avoid the tax thereon. The general opinion expressed at the meeting was that the notes should not be retired too rapidly as the entire elimination or substantial reduction at once of the amount of such notes in circulation as shown in the weekly Federal reserve bank statement might result in misunderstanding.

Accordingly, it was proposed that each Federal reserve bank give consideration to the advisability of the retirement at a rate to be determined by the bank, in the light of the discussion at the meeting, of its Federal reserve bank notes now in circulation. The Federal Reserve Board sees no objection to this procedure.

Very truly yours,

Chester Morrill,
Secretary.

X-7820

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks.)

March 12, 1934.

Mr. Frederic H. Curtiss,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Curtiss:

Reference is made to your inquiries of November 14, 1933, December 11, 1933, December 14, 1933, and January 3, 1934, as to whether _____ Trust, _____ Company, _____ Corporation and _____ Corporation respectively are organizations "engaged primarily in the business of purchasing, selling, or negotiating securities" within the meaning of Section 32 of the Banking Act of 1933 with the result that no officer or director of a member bank may at the same time be an officer, director or manager of any of the named organizations unless in any such case there is a permit therefor issued by the Federal Reserve Board.

The information submitted indicates that each of the organizations is a so-called "investment trust" of the management type, engaged in the business of holding for income and for capital appreciation stocks, bonds and other securities, and that none of the first three organizations named has been or is a party to any agreement involving the issuance, underwriting, or

distribution of securities, excepting the sale of its own shares to the public.

It is noted that the last three organizations named are corporations and that the first is a so-called "business trust". However, this variance in organization is not believed to be a material factor in answering your question.

Careful consideration has been given to the question whether a ruling could be made that so-called investment trusts as a class were included, or not included, within the provisions of Section 32, but it appears that they vary so widely in their methods of doing business that such a general ruling would be impossible.

Some investment trusts have held their portfolios of investments virtually intact for a number of years and propose to continue to do so indefinitely. Such a trust may be regarded as engaged primarily in "holding" securities, and can obviously not be regarded as engaged primarily in the business of purchasing, selling, or negotiating securities.

It appears that even if such an investment trust should occasionally make changes in its portfolio of investments in order to keep its funds invested to the best possible advantage, its business should not be regarded as being "primarily" the purchasing, selling, or negotiating securities, but rather, the investment of funds.

There appear, however, to be other classes of so-called investment trusts which engage in underwriting issues of securities, participating on occasion in the underwriting of issues in which firms with which they have close relationships are interested, and which seek a profit by actively purchasing and selling securities and by participating in operations of a speculative nature on stock exchanges. It would seem that an investment trust which engages in operations of that sort might be regarded as engaged in the business of purchasing, selling or negotiating securities.

To obtain a ruling of the Board with respect to a particular investment trust, it may not be necessary to file an application on the Board's forms, pursuant to Regulation R, but the Board must have full and detailed information regarding the nature of the operations in which the organization is actually engaged, together with pertinent information as to the nature of the operations in which it has engaged in the past. However, information as to the nature of an organization's operations in the past may become irrelevant in a particular case, if, by an amendment to its charter or trust agreement or otherwise, an actual change in the nature of the operations in which it is to engage is effected, so as to remove any question regarding the applicability of Section 32.

It is suggested that, if you still desire a ruling of the

Board as to those cases, you submit the additional facts which are pertinent to a classification of each upon the principles herein outlined. It is believed that such information should include, for each of the past five years, the total purchase price of securities purchased and its relationship in percentage to total assets, the total sale price of securities sold and its relationship in percentage to total assets, the gross profit or loss realized from or incurred in the sale of securities and its relationship in percentage to total gross profit or loss, the total of fees paid to brokers in connection with the purchase and sale of securities and its relationship in percentage to total expenses, the proportion of the portfolio at the end of each such year represented by securities which have been held continuously for six months, twelve months, eighteen months and twenty-four months, and all facts relating to participations, if any, in transactions involving the issue, underwriting and distribution of securities, other than its own, and in operations of a speculative nature on stock exchanges. In addition to such information, the Board will be glad to have any further information or comments which you may feel should be furnished.

In reaching the conclusion that a ruling applicable generally to all so-called investment trusts cannot be made, the Board has given careful consideration to the opinion of October 25, 1933, of your counsel, forwarded by Deputy Governor W. W. Paddock, in

connection with a similar question relating to _____
Investors, but it is felt that the language of Section 32 does
not permit the exclusion of investment trusts generally from
its provisions.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BY-LAWS OF THE FEDERAL RESERVE BOARD

AS AMENDED MARCH 8, 1934.

Article I.

The Chairman.

The Secretary of the Treasury, as Chairman of the Board, shall preside at all meetings when present. In the absence of the Chairman, the Governor shall act as presiding officer. In the absence of both the Chairman and the Governor, the Vice-Governor shall preside, and in the absence of all three such officers, the remaining member of the Executive Committee shall preside.

Article II.

The Governor.

Sec. 1. The Governor of the Federal Reserve Board shall be the active executive officer thereof; subject, however, to the supervision of the Board and to such rules and regulations as may be incorporated herein or may from time to time, by resolution, be established.

Sec. 2. The Governor shall have general charge of the executive and routine business of the Board not specifically assigned under the by-laws or by resolution of the Board to any individual member or committee thereof, and shall have supervision of the Board's staff.

Sec. 3. The Governor shall be an ex-officio member of

all Standing Committees of the Board.

Article III.

The Vice-Governor.

Sec. 1. In the absence or disability of the Governor, his powers shall be exercised and his duties discharged by the Vice-Governor, and in the absence or disability of both of these officers, such powers shall be exercised and such duties discharged by the remaining member of the Executive Committee; in the absence or disability of all members of the Executive Committee the powers and duties of the Governor shall be exercised by the senior member of the Board present.

Sec. 2. It shall be the duty of the Vice-Governor to cooperate with the Governor in the administration of the executive business of the Board.

Article IV.

Secretary and Assistant Secretaries.

Sec. 1. The Board shall appoint a Secretary and one or more assistant secretaries.

Sec. 2. The Secretary shall keep an accurate record of the proceedings of the Board and shall conduct such correspondence and perform such other duties as may be assigned to him by the Governor or by the Board. In the absence or disability of the Secretary, the duties of that office may, by direction of the

Board, be performed by an assistant secretary.

Sec. 3. The Secretary shall have custody of the seal and, acting under the authority of the Board, shall have power to affix same to all instruments requiring it. Such instruments shall be attested by the Secretary.

Sec. 4. The assistant secretaries shall each perform such duties as may be assigned to them from time to time by the Board or by the Secretary.

Article V.

Assistant to the Governor.

Sec. 1. The Board may authorize appointment of an Assistant to the Governor.

Sec. 2. The Assistant to the Governor shall perform such duties as shall be assigned to him by the Governor.

Article VI.

The Executive Committee.

Sec. 1. There shall be an Executive Committee of the Board consisting of three members, which shall include the Governor, Vice-Governor and one of the appointive members of the Board. The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board. Members of the Board shall serve as far as practicable in rotation and for approximately equal terms. The presence of three members shall be requisite for the transaction

of business by the Executive Committee, and action shall be taken only on unanimous vote of the Committee.

Sec. 2. In the absence of the Governor and Vice-Governor the appointive member of the Executive Committee shall act as Chairman and shall, with two other appointive members of the Board present in Washington to be chosen by him in the order of their seniority, exercise the powers and discharge the duties of the Executive Committee. In the absence of all three regular members of the Executive Committee the three remaining appointive members of the Board, provided there be three in Washington, shall act as an interim committee and exercise the powers and discharge the duties of the Executive Committee, the senior member acting as Chairman.

Provided, however, that if only two of the appointive members of the Board are in Washington such two members may act as an interim committee and exercise the powers and discharge the duties of the Executive Committee. Any action taken by such interim committee of two members, however, shall not be finally effective unless and until ratified by the Board. At the next regular meeting of the Board there shall be reported to it for ratification all actions taken by such interim committee of two members since the last regular meeting of the Board. Upon ratification by the Board, all actions taken by such interim committee of two members shall have the same force and effect as actions taken by the Board itself and shall be effective as of the date such action was taken by the interim committee of two members unless otherwise specifically provided by the Board.

Sec. 3. It shall be the duty of the Executive Committee to review and submit drafts of important correspondence involving the expression of opinions or decisions of the Board, and to prepare and make recommendations governing the conduct of the Board's business.

Sec. 4. The Executive Committee shall also have charge of all matters appertaining to the internal organization of the Board, and shall make recommendations from time to time on this matter. It shall also prepare annually a budget of proposed expenditures.

Sec. 5. In the absence of a quorum of the Federal Reserve Board and for the transaction of business requiring action during the absence of such quorum, the Executive Committee is authorized to transact business which can be transacted in accordance with established principles and policies of the Board and to perform such additional duties as may be specifically delegated to it from time to time by instruction of the Federal Reserve Board.

The Secretary of the Board shall serve as Secretary of the Executive Committee.

Article VII.

Standing Committees.

In addition to the Executive Committee there shall be the following Standing Committees, appointments to which shall be made by the Governor, subject to the approval of the Board.

Sec. 1. Law.

To the Law Committee shall be referred for study and

report all questions of a legal nature. To this Committee shall also be assigned the preparation or revision of the Board's regulations, contemplated amendments to the Federal Reserve Act, applications under the Kern amendment to the Clayton Act, and applications for the exercise by national banks of trust powers.

The General Counsel shall serve as Secretary of the Committee.

Sec. 2. Examination.

To this Committee shall be referred all questions relating to the examination of Federal reserve or member banks including admission of state banks and permission to establish and operate branches.

The Chief Examiner shall serve as Secretary of this Committee.

Sec. 3. Research and Statistics.

This Committee shall have charge of all investigations of an economic and statistical character authorized by the Board and shall supervise the work of the Division of Research and Statistics and the preparation and publication of the Federal Reserve Bulletin. This Committee shall also have supervision of the statistical and publication work of the Federal reserve banks.

The Director of the Division of Research and Statistics shall serve as Secretary of this Committee, or in his absence the Assistant Director shall so serve.

Sec. 4. Salaries and Expenditures of Federal Reserve Banks.

To this Committee shall be assigned all recommendations from Federal reserve banks for changes of salaries and other expenditures. This Committee shall make reports with respect to charge-offs and franchise tax of Federal reserve banks.

The Secretary of the Board shall serve as Secretary of this Committee.

Sec. 5. District Committees.

To each Federal reserve bank and district shall be assigned a Committee of not less than two members of the Federal Reserve Board. It shall be the duty of each Committee to keep itself informed by correspondence and visit of the affairs of the bank and the condition of the district, and make investigation and report on all questions appertaining to the operation of any Federal reserve bank or the condition of any Federal reserve district that may be referred to it by the Board. These Committees shall also aid the Committee on Salaries and Expenditures with information regarding personnel of the respective Federal reserve banks of which they have charge. These Committees shall also make recommendations to the Board for the appointment of directors at Federal reserve banks and branches.

Article VIII.

The Fiscal Agent and Deputy Fiscal Agent.

Sec. 1. The Board shall appoint a Fiscal Agent and a Deputy Fiscal Agent. The duty of the Fiscal Agent shall be to collect

and deposit all moneys and funds receivable by the Board with a Federal reserve bank designated by the Board for the purpose, to be placed in a special fund established on the books of such Federal reserve bank for the Federal Reserve Board. The Deputy Fiscal Agent shall perform the duties of the Fiscal Agent during his absence or disability.

Sec. 2. The Fiscal Agent and Deputy Fiscal Agent shall each execute a separate bond with surety satisfactory to the Board.

Sec. 3. Payments of expenses and other disbursements of the Board shall be made by the Fiscal Agent upon proper vouchers out of moneys advanced to him by requisition out of the special fund above mentioned, as provided in section 6 of this Article, and placed to his official credit with the Federal reserve bank designated pursuant to section 1 of this Article. In the absence of the Fiscal Agent, payment of expenses and other disbursements shall be made by the Deputy Fiscal Agent upon proper vouchers out of moneys advanced to the Fiscal Agent by requisition out of the special fund mentioned above and placed to his official credit with such Federal reserve bank, as provided in sections 6 and 7 of this Article.

Sec. 4. The accounts of the Fiscal Agent shall be audited quarterly and at such other times as the Federal Reserve Board may direct, by or under the direction of an auditor of a Federal reserve bank designated for the purpose by the Federal Reserve Board.

Sec. 5. The Governor of the Federal Reserve Board, from

time to time, shall make requisition on the Federal reserve bank, on the books of which the Federal Reserve Board's special fund above mentioned has been established, for the advance to the Fiscal Agent from such special funds of such sums as may be necessary. Sums so advanced shall be placed to the official credit of the Fiscal Agent on the books of the Federal reserve bank designated pursuant to the provisions of section 1 of this Article.

Sec. 6. The Deputy Fiscal Agent, in making disbursements for the Board upon proper vouchers out of moneys advanced to the Fiscal Agent, shall sign the necessary checks and other orders in the name of the Fiscal Agent by himself as Deputy Fiscal Agent.

Article IX.

Gold Settlement Fund

and

Federal Reserve Agents' Fund.

All funds deposited by or for account of the respective Federal Reserve Agents in the Federal Reserve Agents' fund of the Federal Reserve Board and all funds deposited by or for account of the respective Federal reserve banks in the Gold Settlement Fund of the Federal Reserve Board shall be held on deposit with the Treasurer of the United States and shall be subject to withdrawal only by check of the Federal Reserve Board signed by the Secretary or an Assistant Secretary and countersigned by the Governor or acting executive officer of the Board.

Article X.

Requisition for Delivery

of

Federal Reserve Notes.

Requisitions upon the Comptroller of the Currency for the delivery of Federal reserve notes to the respective Federal Reserve Agents shall be made by the Secretary or Assistant Secretary in response only to requests made by the Federal Reserve Agents to the Board for such notes. The Secretary or Assistant Secretary shall submit daily for approval to the Governor or acting executive officer of the Board a schedule showing the amount of each denomination of Federal reserve notes requisitioned by him for the account of each Federal Reserve Agent.

Article XI.

The Seal.

The following is an impression of the seal adopted by the Board.

SEAL.

Article XII.

Counsel.

Sec. 1. The Board shall appoint a General Counsel whose duty it shall be to advise with the Board, or any member thereof, as

to such legal questions as may arise in the conduct of its business; to prepare, at the Board's request opinions, regulations, rulings, forms and other legal papers and to perform generally such legal services as he may be called upon by the Board to perform.

Sec. 2. Subject to the direction of the Governor, the General Counsel shall have authority to correspond directly with the Counsel of the various Federal reserve banks and to request their opinions as to the interpretation of the local laws of the States included in their respective Federal reserve districts. Copies of all such correspondence shall be furnished to the Board for its information.

Sec. 3. Whenever it may be deemed advisable, the Board may appoint one or more Associate or Assistant Counsel, or one or more Assistants to Counsel. The duty of such Associate or Assistant Counsel shall be to assist the General Counsel in the performance of his duties and to perform the duty of the General Counsel in his absence. The duty of such Assistant to Counsel or Assistants to Counsel shall be to assist the General Counsel in the performance of his duties.

Sec. 4. The Board may appoint from time to time Consulting Counsel, who may be attorneys at law engaged in outside practice.

Article XIII.

Meetings.

Sec. 1. Five members of the Board shall constitute a quorum for the transaction of business.

-12-

X-7821

Sec. 2. Stated meetings of the Board shall be held on such days of the week and at such hours as the Board by a majority vote may fix from time to time. One meeting day each week shall be set apart for consideration of the following matters, advance notice of not less than two days being sent to members of important questions to be taken up at the meeting:

- Discount and open market matters;
- Approval of expenditures and salaries;
- Establishment of Federal reserve branches, agencies, currency stations;
- Permission for establishment of member bank branches;
- Amendment of Board's rules and regulations;
- New policies or changes of policy;
- Such other major matters as may be reserved for consideration at the weekly meeting.

Sec. 3. Special meetings of the Board may be called by the Chairman or Governor or upon the written request of three members of the Board.

Sec. 4. At all meetings of the Board the following shall be the order of business:

- (1) Reading or inspection of the minutes of the last regular meeting and minutes of meetings of the Executive Committee.
- (2) Report of the Governor.
- (3) Report of the Secretary.
- (4) Reports of the committees or members on assigned business.
- (5) Unfinished business.
- (6) New business.

Sec. 5. No vote shall be taken or motion made by the Board at a meeting or conference when others than the members of the Board and its secretarial staff are present.

Article XIV.

Absences.

Sec. 1. Absences of appointive members of the Board shall as far as practicable be arranged so as not to interfere with the expeditious conduct of the Board's business in Washington.

Article XV.

Information and Publication.

Sec. 1. All persons employed by the Board shall keep inviolate its business, affairs, and concerns, and shall not disclose or divulge the same to any unauthorized person whomsoever, and any employee who shall give information contrary to this by-law shall be liable to immediate dismissal. Except upon vote of the Board, no one other than a Member of the Board, or the Secretary, Assistant Secretaries, Assistant to the Governor, and General Counsel, shall be permitted to inspect any of the Board's minutes.

Sec. 2. No statements shall be made to the press expressive of the Board's policy or descriptive of its action except as authorized and approved by the Board. Such statements shall be issued only in written form and when authorized and approved they shall be issued through the office of the Governor or such other officer or member of the Board as may be specifically designated. While each member of the Board must determine for himself the propriety or necessity of expressing publicly his individual opinion on any question, members shall not quote publicly the opinion of other members on matters which

have not formally been passed upon by the Board.

Sec. 3. There shall be published monthly, a bulletin to be known as "The Federal Reserve Bulletin", which shall be the official periodical organ or publication of the Federal Reserve Board.

Sec. 4. No resolutions of a personal character shall be passed by the Board on the termination of the membership of a member of the Board.

Article XVI.

Amendments.

These by-laws may be amended at any regular meeting of the Board by a majority vote of the entire Board, provided that a copy of such amendments shall have been delivered to each member at least seven days prior to such meeting.

X-7822

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 5:00 p. m.

March 15, 1934.

The Federal Reserve Board announces that the Federal Reserve Bank of Minneapolis has established a rediscount rate of 3 per cent, effective March 16, 1934.

FEDERAL RESERVE BOARD

146

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7823

March 16, 1934.

SUBJECT: Code Word Covering New
Issue of Treasury Bills.

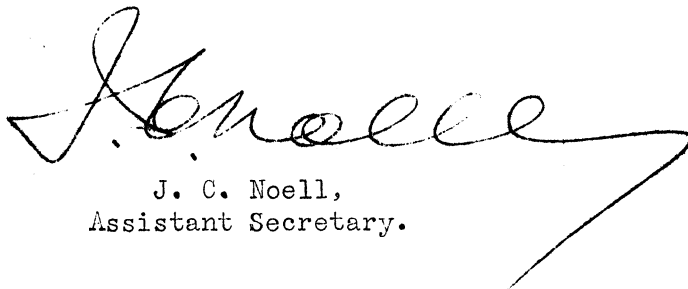
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXIVY" - Treasury Bills to be dated March 21, 1934, and to mature June 20, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXISLE" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FOR THE PRESS

IMMEDIATE RELEASE

March 19, 1934.

The President today sent the following letter to Senator Fletcher, Chairman of the Senate Banking and Currency Committee, and to Representative Steagall, Chairman of the House Committee on Banking and Currency:

- - - - -

"May I suggest to your Committee legislation to create twelve Credit Banks for Industry.

"I have been deeply concerned with the situation in our small industries. In numberless cases their working capital has been lost or seriously depleted. This condition should be remedied.

"We have afforded much aid in the recovery of agriculture, commerce, our larger industries and our financial institutions, and our improved condition nationally furnishes full justification for these efforts. We must continue in behalf of the medium size man in industry and commerce.

"With this purpose in mind I have discussed with the Treasury, the Federal Reserve Board, and the Reconstruction Finance Corporation a comprehensive study of the situation in the smaller industries and the presentation of a plan which would show their condition and furnish relief for it.

"A nationwide survey has been made by them. Information has been obtained from 4958 banks and 1066 Chambers of Commerce covering three points: first, the probable amount of working capital required now by smaller industries; second, the number of employees who would be retained by these industries if working capital is afforded them; and third, the number of new employees that can be taken on by them through such supply of working capital.

"Estimates based on this survey indicate that approximately \$700,000,000 of such working capital is required; that such working capital may continue in employment some 346,000 employees and may furnish new employment to some 378,000 men and women.

"While these estimates in their nature cannot be definite and must be considered as estimates only, they indicate the urgent need of these small industries for working capital.

"The Administration will be glad to furnish you such information and assistance as you may desire in order to set up the machinery to supply this need.

"The details will be presented to you, but I desire to call attention to two prominent features: first, the matter of caring for the small or medium size industrialist; second, the control of the proposed banks by directorates a majority of which will themselves be industrialists.

"I will appreciate early consideration by your Committee and by the Congress, as I feel that the situation disclosed calls for immediate relief and that such situations as can be relieved through the medium of working capital should have our earnest support.

Very sincerely yours,

FRANKLIN D. ROOSEVELT."

- - - - -

X-7825

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Notes
Series 1928, January 2 to 31, 1934.

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>Total Sheets</u>	<u>Amount</u>
Boston,	14,000	16,000	25,000	55,000	\$4,537.50
New York,	-	184,000	40,000	224,000	18,480.00
Philadelphia,	-	48,000	12,000	60,000	4,950.00
Cleveland,	10,000	10,000	32,000	52,000	4,290.00
Richmond,	-	10,000	-	10,000	825.00
Atlanta,	42,000	10,000	-	52,000	4,290.00
Chicago,	-	60,000	36,000	96,000	7,920.00
St. Louis,	15,000	10,000	-	25,000	2,062.50
Minneapolis,	-	12,000	14,000	26,000	2,145.00
San Francisco,	<u>10,000</u>	<u>12,000</u>	<u>10,000</u>	<u>32,000</u>	<u>2,640.00</u>
	91,000	372,000	169,000	632,000	\$52,140.00

632,000 sheets, @ \$82.50 M, \$52,140.00

X-7826

Statement of Bureau of Engraving and Printing
for furnishing Federal Reserve Bank Notes (National Currency)
Series 1929, January 5 to 11, 1934.

Kansas City, 83,000 sheets, \$5, @ \$87.69 M, \$7,278.27

X-7828

The staff of the Federal Reserve Board conferred for a week with representatives of the Treasury and with Mr. Pecora, Mr. Corcoran and Mr. Cohen, Attorneys, in reference to the provisions of the National Securities Exchange Act of 1934. Governor Black participated in some of these conferences, was in close touch with all of them, and kept the members of the Board fully advised. During these conferences the attitude of the Board was requested and the following expression of this attitude was given:

"The Board is in thorough accord with the following purposes of the bill:

(1) To regulate National Securities Exchanges to the end that they may operate under fair practices only.

(2) That speculation be properly curbed and dishonest speculation be eliminated.

(3) That exchange credit be properly restrained and the undue use of credit in speculation be prevented.

(4) That necessary penalties be enacted to guarantee the accomplishment of these purposes.

The Board is not primarily concerned with the features of the bill with regard to the policing or regulating of the exchange, but feels that these features should be fair and in accord with established American business principles.

If it is desired the Board will be glad to undertake the responsibilities of the bill regarding the fixation of marginal requirements upon loans based upon exchange equities, whether the loans are made by brokers or banks, provided power is vested in

- 2 -

the Board to handle this subject in the public interest and to the protection of the investor. This function would usefully supplement the considerable powers vested in the Board under the Banking Act of 1933 to prevent the undue use of credit for speculative purposes and would in the judgment of the Board furnish effective protection against the economic evils of speculation."

During these conferences very many changes in the original bill were recommended by the Federal Reserve staff. These recommendations were followed in substance and changes were made in the bill, and the bill was greatly improved in order to properly effectuate its purposes.

The bill known as H. R. 8720 introduced in the House by Mr. Rayburn embraces these recommended changes. It is the feeling of the Reserve Board that the revised bill H. R. 8720 is workable, is right in principle, and will accomplish the purpose of regulating National Securities Exchanges under fair practices and that undue and excessive speculation will be properly curbed, and that exchange credit will be properly restrained and the undue use of credit in speculation be prevented. The Board is therefore prepared to approve the bill as revised.

The Board requests the privilege of making such further constructive suggestions as to the bill as may appear necessary or desirable as the result of the further study of the bill, and this request applies especially to questions affecting technical operations of the exchanges covered by the bill.

FEDERAL RESERVE BOARD

153

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7829

March 23, 1934.

SUBJECT: Expense, Main Lines, Leased Wire
System, February, 1934.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7829-a and X-7829-b, covering in detail operations of the main lines, Leased Wire System, during the month of February, 1934.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the account of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,



Fiscal Agent.

Inclosures.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY, 1934.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Per cent of total Bank business (*)
Boston	31,685	1,544	33,229	4.24
New York	147,034	-	147,034	18.76
Philadelphia	28,074	1,707	29,781	3.80
Cleveland	51,172	1,505	52,677	6.72
Richmond	55,901	1,773	57,674	7.36
Atlanta	53,230	1,986	55,216	7.05
Chicago	88,281	1,820	90,101	11.50
St. Louis	59,129	1,828	60,957	7.78
Minneapolis	31,856	1,613	33,479	4.27
Kansas City	75,527	1,712	77,239	9.86
Dallas	55,654	3,426	59,080	7.54
San Francisco	84,318	2,839	87,157	11.12
Total	761,871	21,753	783,624	100.00
F. R. Board business				327,034 1,110,658
Reimbursable business Incoming & Outgoing				706,448
Total words transmitted over main lines				1,817,106

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7829-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, FEBRUARY, 1934.

X-7829-b

Name of Bank	Operators' salaries	Operators' overtime	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$1.00	\$ -	\$261.00	\$617.52	\$261.00	\$356.52
New York	1,231.64	19.00	-	1,250.64	2,732.21	1,250.64	1,481.57
Philadelphia	225.00	-	-	225.00	553.43	225.00	328.43
Cleveland	306.66	-	-	306.66	978.70	306.66	672.04
Richmond	195.77	-	230.00 (&)	425.77	1,071.91	425.77	646.14
Atlanta	270.00	-	-	270.00	1,026.76	270.00	756.76
Chicago	3,988.63 (#)	18.00	-	4,006.63	1,674.86	4,006.63	2,331.77 (*)
St. Louis	195.00	.75	-	195.75	1,133.08	195.75	937.33
Minneapolis	200.00	-	-	200.00	621.89	200.00	421.89
Kansas City	287.00	-	-	287.00	1,436.01	287.00	1,149.01
Dallas	251.00	.60	-	251.60	1,098.13	251.60	846.53
San Francisco	380.00	-	-	380.00	1,619.52	380.00	1,239.52
Federal Reserve Board	-	-	15,767.60	15,767.60	-	-	-
Total	\$7,790.70	\$39.35	\$15,997.60	\$23,827.65	\$14,564.02	\$8,060.05	\$8,835.74 2,331.77 (a) 6,503.97

Reimbursable charges:

Treasury Department	\$2,988.08
Reconstruction Finance Corporation . .	4,445.16
Exp. Nat'l Bkg. Emergency Act 3-9-33 .	1,485.18
Farm Credit Administration	116.01
Comp. Currency Div. Insolv. Nat'l Bks..	151.81
Federal Deposit Insurance Corporation .	30.04
Postal Savings System	41.59
Home Owners Loan Corporation	3.78
Civil Works Administration	1.98
Less Reimbursable Charges	\$9,263.63
	\$14,564.02

- (&) Main line rental, Richmond-Washington
- (#) Includes salaries of Washington operators
- (*) Credit
- (a) Amount reimbursable to Chicago

MEMORANDUM REGARDING PROPOSED REVISION
OF RESERVE REQUIREMENTS AS TO MEMBER BANKS.

X-7830 156

As an amendment to the bill regulating security exchanges, the Federal Reserve Board wishes to reiterate its recommendation made two years ago for basing member bank reserve requirements not solely on the volume of deposits but also on the rapidity of their turnover, in other words, on the extent to which the deposits are utilized.

Member bank reserve balances are high-power money. On the basis of one billion dollars of excess reserves, member banks can extend credit amounting to between ten and fifteen billion dollars without having to resort to borrowing at the Federal Reserve banks. The volume of excess reserves at the present time is one and one-half billion dollars, and these excess reserves furthermore may increase greatly when a period of credit expansion sets in. Under existing law national banks can issue an additional seven hundred million dollars of bank notes, which when deposited with the Federal Reserve banks add to the reserves of member banks. There is also still a billion or a billion and one-half of currency that has not returned from hoarding but is likely to be utilized and thus flow back into the banks when an expansion sets in. In these circumstances if an expansion of credit should get under way, the member banks will have a large volume of reserves without recourse to the Federal Reserve banks. These banks therefore would be out of touch with the market and thus not in a position to exert a restraining influence through discount policy.

The Board's proposal carries out to its logical conclusion the existing distinction between time deposits, which require a 3 percent reserve, and demand deposits, which require a 7, 10, or 13 percent reserve, depending upon the location of the bank. The proposal would result in an automatic increase of reserve requirements when boom conditions arise and an

automatic decrease of reserve requirements in times of depression. The proposal furthermore has the advantage of making the increase in reserves applicable not to all banks in all localities alike, but rather to those banks in those communities only where excessive speculative activity is manifesting itself. If this proposal were adopted, its operation, together with the authority existing under the Thomas Amendment to raise reserve requirements with the consent of the President when an emergency arises from excessive credit expansion, would make it possible for the Federal Reserve Board to combat the recurrence of speculative excesses. The proposal, therefore, presents a logical complement to the bill for the regulation of security exchanges.

The proposal would counteract two abuses that have developed under existing law and have created serious obstacles to credit control. One is the evasion of reserve requirements by classifying as time deposits many deposits that to all intents and purposes are demand deposits, a practice that has developed since the classification of deposits in one or the other category has determined the volume of reserves that a bank must carry. And the other, the reduction of actual reserves carried through diminishing the volume of till money which under existing law does not count as reserve. The proposal would permit banks within certain limitations to count their vault cash as reserves and would therefore close the door to the practice of greatly reducing actual reserves by diminishing cash holdings to a nominal amount.

In times of great speculative activity, such as 1928 and 1929, the banks under a law like the one proposed would have had to carry three or four hundred millions of additional reserves and would, therefore, have had to increase

their borrowings at the Reserve banks by that amount. This would have greatly increased the power of the System to exercise a restraining influence at an early date. On the other hand in times of depression when deposits are inactive member bank reserve requirements would diminish and there would be a decrease in the volume of idle funds that the banks would be required to carry as reserves. In effect, the plan would supplement open-market operations by the Reserve banks, by withdrawing funds from the market under boom conditions and furnishing additional funds at times of depression.

The plan would also work for a more equitable distribution of reserves as between city banks and country banks. City banks, owing to their proximity to the Reserve banks, have been able to reduce their vault cash to a very small proportion of their deposits, while at country banks a much more considerable proportion has been necessary. As a consequence the actual distribution of effective reserves differs from that contemplated by the law and is much more favorable to banks in financial centers. The Board's proposal would do away with this disparity.

Most important of all, however, the proposed plan would result in an increase of reserve requirements not only at the time when such an increase will be in the interests of sound banking conditions but also at the spot where speculative excesses get under way, and at the banks where enhanced activity of deposits will be caused by a rising tide of speculation. Big nation-wide booms develop at financial centers, and this proposal by imposing restraints on speculation in these centers without increasing the burden of idle reserves for banks in those communities to

-4-

which the boom has not penetrated, will not only be more equitable but will serve the purpose of applying restraining influences automatically at the right time, in the right places, and to the right institutions.

With the heavy responsibilities imposed upon the Federal Reserve System in connection with the possibilities of speculative expansion, the adoption of this plan would place into their hands an instrument that would be of great assistance in serving the interests of trade and industry by restraining the use of credit for speculative purposes.

Concretely under the proposal, member banks would be required to carry 5 percent reserves against their net deposits plus 50 percent of the amount of the bank's average daily debits to deposit accounts. In order to avoid too heavy burdens in extreme cases, the proposal provides that in no case shall aggregate reserves required of a bank exceed 15 percent of its gross deposits.

In computing their reserves, the member banks would be permitted to count as reserves a certain proportion of their vault cash. At banks in cities near the Federal Reserve banks or branches, the banks would be required to carry four-fifths of their total reserves as deposits with the Federal Reserve banks, while at other banks they would only be required to carry two-fifths of their reserves as balances with the Reserve banks.

As an exhibit in connection with this statement I should like to submit the report of a committee of the Federal Reserve System on bank reserves presented to the Federal Reserve Board in 1931. Your attention is particularly called to the chart on page 10 of this report which shows that demand deposits and consequently reserve balances of member banks showed practically no increase during the period of the greatest credit expansion in 1928 and 1929, while

bank debits during that period increased at a very rapid rate. Another chart on page 19 of the report shows how under the proposed plan reserve requirements would have risen rapidly during the expansion and would have declined much more rapidly than actual reserves after the depression set in.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7831

March 24, 1934.

SUBJECT: Code Words Covering New
Issues of Treasury Bills.

Dear Sir:

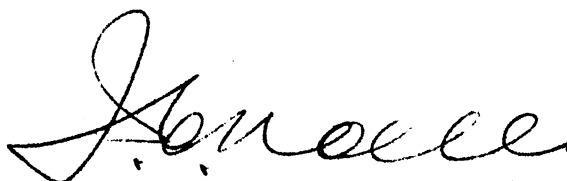
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXJIME" - Treasury Bills to be dated March 28, 1934, and to mature June 27, 1934.

"NOXJUT" - Treasury Bills to be dated March 28, 1934, and to mature September 26, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXIVY" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7834

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

March 27, 1934.

Mr. J. H. Case,
Federal Reserve Agent,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Case:

In your letter of November 15, 1933, in which you inclose a copy of a letter from Messrs. _____, the question is raised whether Section 32 of the Banking Act of 1933 is applicable to certain officers and directors of the Bank of _____ who are also directors of various New York bond and mortgage companies which are now in the hands of the State Superintendent of Insurance. It appears that, under the provisions of the New York statute, the directors of the bond and mortgage companies are enjoined by court orders from interfering in any manner in the management of the companies which are in the hands of the Superintendent as Rehabilitator. Messrs. _____ suggest that, although the directors in question still bear the title of their office, they should not be regarded as "officers, directors or managers" within the meaning of Section 32.

The Board is of the opinion that the words quoted have reference to persons who manage, direct, or control the affairs of a corporation or who have authority to do so, and that, if a person bearing the title of director has been deprived by law or by court order of all power of control and management, the section is not

-2-

X-7834

applicable to him.

However, the Board has not been furnished with sufficient information regarding the practical effect of the statutory provisions and court orders referred to by Messrs. _____ to be able to decide definitely whether Section 32 is still applicable to the directors in question. Possibly, the preceding discussion will enable you to answer the question raised; but, if you desire a definite ruling, it would be appreciated if you would submit the matter to the Board with such additional information and comments as the counsel for your bank may deem necessary in the light of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill
Secretary

X-7835

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

March 27, 1934.

_____,
_____,
_____,
_____.

Dear Sir:

This refers to your letter of January 19, 1934 addressed to Mr. DuBois, an Assistant Counsel to the Federal Reserve Board. You request an interpretation of the provision of sub-paragraph (e) of Section 5144 of the Revised Statutes which in substance requires each holding company affiliate to agree that it will divest itself of its control of and interest in any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution of stocks, bonds, debentures, notes, or other securities. Specifically, you raise the issue whether a corporation engaged in a "general mortgage loan business, including the loaning of money on mortgages for its own account and for the account of customers, 'servicing' of mortgage loans and hand(1)ing of real estate acquired through foreclosure and otherwise" is a "securities company" within the meaning of the provision aforesaid. It is assumed that the company is not engaged in issuing or selling bonds, debentures, or certificates of participation based on mortgages.

One of the principal purposes of the Banking Act of 1933 was

to effect a separation of commercial and investment banking, and it appears that subparagraph (e) of Section 5144 of the Revised Statutes, as amended by Section 19 of the Banking Act of 1933, was designed to aid in the accomplishment of that purpose. The Federal Reserve Board is of the opinion that ordinary mortgage notes are not "* * * notes or other securities" within the intendment of that subparagraph and that neither such notes nor the mortgages securing the same should be classified as "stocks, bonds, debentures, notes, or other securities" in determining whether an organization dealing in such obligations is a "securities company" within the meaning of subparagraph (e) of Section 5144. Accordingly, the Board is of the opinion that a company engaged merely in making loans secured by mortgages in servicing such loans, and in handling real estate acquired through foreclosure or otherwise cannot be considered as being engaged "principally in, the issue, flotation, underwriting, public sale, or distribution * * * of stocks, bonds, debentures, notes, or other securities", and that a company which was not formed for such a purpose and which confines its activities to dealing in mortgages and ordinary mortgage notes does not come within the purview of subparagraph (e) of said Section 5144.

It may be noted that similar principles are applicable in determining whether an organization comes within the scope of Section 20 of the Banking Act of 1933, which provides in part that after one year from June 16, 1933, no member bank shall be affiliated in any

-3-

X-7835

manner described in Section 2(b) thereof with any "corporation * * * engaged principally in the issue, flotation, underwriting, public sale, or distribution * * * of stocks, bonds, debentures, notes, or other securities".

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7836

March 28, 1934.

SUBJECT: Payment of Traveling and Subsistence
Expenses of Members of Board of Trustees
and Committees of Retirement System.

Dear Sir:

Upon their return from the meeting of the board of trustees of the retirement system of the Federal reserve banks, Mr. James and Mr. Van Fossen advised the Board of the decision of the board of trustees to request the Federal reserve banks and the Federal Reserve Board to defray the traveling and subsistence expenses incurred during the first year of the system's operation by the members of the board of trustees and of the various committees of the retirement system. The action of the board of trustees has been considered by the Federal Reserve Board and it has authorized the payment, by the Board's fiscal agent of the expenses of its appointee and of the member elected by its employees, and approves the payment by your bank of the expenses of the representatives of your bank and its employees, on the board of trustees and any committees of the retirement system of which they may be members, for one year from March 1, 1934.

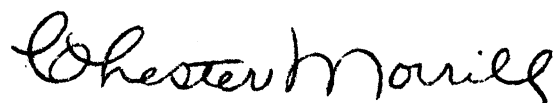
It is understood that all of the Federal reserve banks have adopted, or will put into effect immediately, the requirement that

-2-

X-7836

all new employees pass a physical examination. In view of the fact that all new regular employees of the Federal Reserve Board are required to be members of the retirement system, the Board has adopted a similar requirement.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill". The signature is written in dark ink and is positioned above the typed name.

Chester Morrill,
Secretary.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

X-7837

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

March 27, 1934.

Mr. Eugene M. Stevens,
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of January 19, 1934, and the previous correspondence regarding the application of Mr. _____ under Section 32 of the Banking Act of 1933, raises primarily the question whether the carrying of what are commonly known as margin accounts by brokers involves the making of "loans secured by stock or bond collateral" within the meaning of Section 8A of the Clayton Act.

As you state in your letter, if the relationship covered by Mr. _____ application is prohibited by Section 8A of the Clayton Act, a permit issued under Section 32 of the Banking Act of 1933 would serve no useful purpose. See the Board's letter of December 22, 1933 (X-7734).

It appears from your letter and the inclosures, including a copy of the letter of the General Counsel of your bank, and of the forms used in connection with such transactions by the brokerage firm in which Mr. _____ is a partner, that the margin accounts are carried in substantially the following manner:

The customer deposits with the broker margin in the form of cash or securities, and orders the broker to purchase or sell certain

securities for him. The broker executes the order and furnishes the balance required for the execution of the order. The securities are acquired or sold by the broker for the account and risk of the customer, but all securities in the account are held by the broker. The customer authorizes the broker to pledge, as collateral for any indebtedness of the broker, all securities thus held by the broker, and such pledge may be for a greater sum than the amount which the customer owes to the broker. The broker usually avails himself of this right, in whole or in part, in order to supply himself with funds with which to carry out the orders thus received from his customer. The broker has the right to close the customer's account by sale or purchase, as the case may be, whenever he deems it necessary to protect himself from loss on the customer's obligation. Since the securities are purchased or sold for the account and risk of the customer, he is liable to the broker for any deficiency remaining after the closing of the account. Likewise, any appreciation in the value of the securities bought and any income therefrom during the life of the account are the property of the customer. Securities thus held by the broker for the account of the customer, except those issued in bearer form, are usually issued in the name of a broker and indorsed in blank in order to facilitate handling.

After careful consideration, the Federal Reserve Board has reached the conclusion that the opinion of your counsel is correct that, in carrying margin accounts in which are held stocks or bonds in the manner described above, the broker makes loans to his customers

"secured by stock or bond collateral" within the meaning of Section 8A of the Clayton Act, and that therefore that section will be applicable to the service of Mr. _____ as a director of the national bank and as a partner in the brokerage firm.

Additional support for this view is furnished by the legislative history of the Banking Act of 1933 and of Section 33 of that Act, which added Section 8A to the Clayton Act, since it appears that one of the primary purposes of that Act was to check the excessive diversion of credit from commerce and industry to speculative uses on stock exchanges. Margin accounts, and the brokers' loans by which they were financed to a large extent, constituted some of the principal ways in which credit was made available for such speculation; and therefore an interpretation of Section 8A based on the conclusion that the carrying of margin accounts does not involve the making of loans secured by stock or bond collateral within the meaning of that section would defeat, in a large measure, its purpose.

Although the Board is authorized to issue permits under certain circumstances covering relationships otherwise prohibited by any provision of the Clayton Act, the provision of Section 8 which authorizes the Board to issue permits refers only to banking institutions of certain classes, with the result that, unless the brokerage firm of which Mr. _____ is a partner is such an institution, the Board would have no authority to issue such a permit.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.

F E D E R A L A D V I S O R Y C O U N C I L

172

1934

Officers:

Walter W. Smith, President
 Howard A. Loeb, Vice President
 Walter Lichtenstein, Secretary

Executive Committee:

Walter W. Smith H. C. McEldowney
 Howard A. Loeb W. T. Kemper
 Walter E. Frew Thomas M. Steele

M E M B E R SDistrict

No. 1	Thomas M. Steele	Pres., First National Bank and Trust Co., New Haven, Connecticut.
No. 2	Walter E. Frew	Chrm., Corn Exchange Bank Trust Co., New York, New York.
No. 3	Howard A. Loeb	Chrm., Tradesmens National Bank & Tr. Co., Philadelphia, Pennsylvania.
No. 4	H. C. McEldowney	Pres., Union Trust Company, Pittsburgh, Pennsylvania.
No. 5	Howard Bruce	Pres., Baltimore National Bank, Baltimore, Maryland.
No. 6	H. Lane Young	Executive Vice Pres. and Manager, Citizens and Southern National Bank, Atlanta, Georgia.
No. 7	Solomon A. Smith	Pres., Northern Trust Company, Chicago, Illinois.
No. 8	Walter W. Smith	Pres., First National Bank in St. Louis, St. Louis, Missouri.
No. 9	Theodore Wold	Pres., Northwestern National Bank, Minneapolis, Minnesota.
No. 10	W. T. Kemper	Chrm., Commerce Trust Company, Kansas City, Missouri.
No. 11	Joseph H. Frost	Pres., Frost National Bank, San Antonio, Texas.
No. 12	M. A. Arnold	Pres., First National Bank, Seattle, Washington.

Address of Mr. Lichtenstein, 38 South Dearborn Street, Chicago, Illinois.

March 29, 1934.

FEDERAL RESERVE BOARD

WASHINGTON

173
X-7839

March 29, 1934.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Holidays during April, 1934.

Dear Sir:

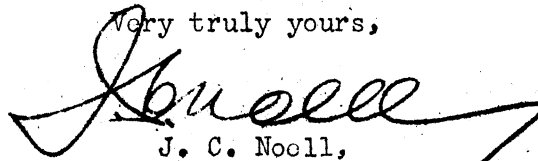
The Federal Reserve Board is advised that the following holidays will be observed by Federal reserve banks and branches during April, 1934:

Thursday	April 12	Charlotte	Halifax Day
Friday	" 13	Birmingham	Birthday of Thomas Jefferson
Thursday	" 19	Boston	Patriots' Day
Saturday	" 21	Dallas El Paso Houston San Antonio	San Jacinto Day
Monday	" 23	Omaha	Arbor Day
Thursday	" 26	Atlanta Birmingham Jacksonville	Southern Memorial Day

On the dates indicated the offices named will not participate in either the transit or the Federal reserve note clearing through the Gold Settlement Fund. Please include credits for the offices named on each of the foregoing dates in your transit clearing of the following business day. No debits covering shipments of Federal reserve notes for account of the head offices affected should be included in your note clearings on the holidays mentioned.

Please notify branches.

Very truly yours,


J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL
F. R. BANKS.

X-7840

MEMORANDUM TO BE HANDED BY HEADS OF DIVISIONS TO
EACH PROSPECTIVE EMPLOYEE OF THE FEDERAL RESERVE BOARD
WHOSE APPOINTMENT IS BEING RECOMMENDED.

All persons entering the employ of the Federal Reserve Board after March 1, 1934, are required to become members of the Retirement System of the Federal Reserve Banks unless they are contributing members of the Civil Service Retirement and Disability Fund or unless they are appointed to positions which are not covered by the Retirement System. The obligations devolving upon and the benefits accruing to employees of the Board as members of the Retirement System of the Federal Reserve Banks are outlined in the attached circular of information which should be read carefully and returned to the person from whom you received it.

If appointed to a position with the Federal Reserve Board, you will be furnished an enrollment blank which should be filled out and returned to the office of the Secretary of the Board with your executed oath of office, unless you are a contributing member of the Civil Service Retirement and Disability Fund or the position to which you are appointed is excepted as above stated. In this connection, it will also be necessary for you to pass a physical examination by a physician designated by the Federal Reserve Board for the purpose.

X-7841

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

March 27, 1934.

Mr. Isaac B. Newton,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Newton:

This refers to Mr. Sargent's letter of January 26, 1934, regarding the payment of time certificates of deposit before their maturity in violation of Section IV(b) of the Federal Reserve Board's Regulation Q. Mr. Sargent states that it has come to your attention that when the owners of time certificates of deposit issued by a certain member bank present them for payment before maturity, arrangements are made by this member bank with another member bank to purchase or discount these certificates and hold them until their maturity; and it is understood that you wish to be advised whether such procedure constitutes an evasion of the prohibition against the payment of time certificates of deposit before maturity and also whether a violation of the law would result where the purchasing bank, in good faith, deals directly with the drawee of the certificate without the knowledge and solicitation of the issuing bank.

It is the opinion of the Board that the mere sale by a depositor before maturity of a time certificate of deposit held by him to a bank other than the bank issuing such certificate would not necessarily come within the prohibition against the payment of time

deposits before maturity, but, if the member bank issuing such certificate should solicit the other bank to purchase the certificate with the intent to evade such prohibition and to make available to the depositor in substance the funds evidenced by the certificate, or if the purchase should be made pursuant to an arrangement or understanding between the bank purchasing the certificate and the bank issuing the same, it is the opinion of the Board that such a transaction would constitute an evasion of the spirit and intent of Section 19 of the Federal Reserve Act and of the Board's Regulation Q, and that it should be regarded as a violation of the prohibition of the provision of law forbidding the payment of time deposits before maturity.

In the final analysis, the question whether a sale by the holder before maturity of a time certificate of deposit to a bank other than the member bank issuing the same comes within the prohibition of the law against the payment of time deposits before maturity depends upon whether the sale is made in good faith or for the purpose of evading the prohibition in question. It is not believed that any general rule can be prescribed to govern all cases, and each case should be determined on the basis of its own particular facts. It would not be practicable for the Board to undertake to determine such questions as they may arise in individual cases, and the Federal Reserve Board feels that the question whether any such transaction should be regarded as a payment of a time deposit before maturity

is a matter to be considered by the member bank at the time such transaction is proposed and to be determined by such bank in the exercise of its best judgment and in the light of the provisions of the law and of the Board's regulations. However, if the circumstances with respect to any such transaction are such as to raise a question as to whether it constitutes a violation of the prohibition against the payment of time deposits before maturity, the bank must be prepared to show clearly that such transaction was not in contravention of the provision of law aforesaid.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

178

WASHINGTON

X-7843

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 31, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

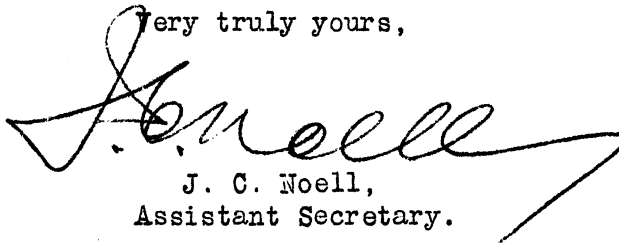
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXKAT" - Treasury Bills to be dated April 4, 1934, and to mature July 3, 1934.

"NOXKEL" - Treasury Bills to be dated April 4, 1934, and to mature October 3, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXJUT" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

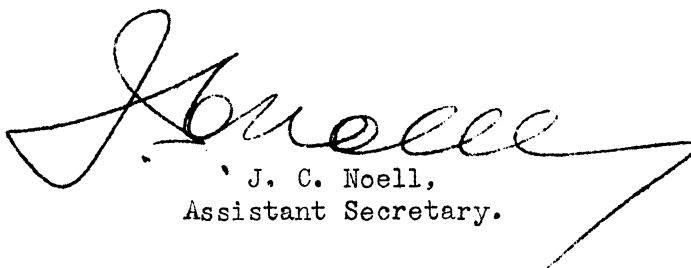
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7844

April 2, 1934.

MEMORANDUM

Referring to the Board's letter of March 29, 1934, X-7839, subject, Holidays during April; the Board is now advised that the Governor of Utah has proclaimed Monday, April 16 a holiday in observance of Arbor Day. Therefore the Salt Lake City Branch will be closed on that day.



J. C. Noell,
Assistant Secretary.

X-7845

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks.)

March 30, 1934.

Hale
San Francisco

Re your inquiry of March 13 as to whether deposits of funds advanced to State treasurers to be used as revolving funds in connection with construction of public highways are deposits "of public funds made by or on behalf of any State" within the meaning of Section 19 of the Federal Reserve Act. Board understands that title to such funds is not vested in State, that any excess of funds remaining after completion of project for which such funds are to be used must be returned to Government, and that State treasurer acts simply in capacity of disbursing officer for Government. In view of foregoing, Board concurs in your conclusion that such deposits are not deposits of QUOTE public funds made by or on behalf of any State UNQUOTE which would be subject to exemption with respect to payment of interest on deposits payable on demand.

(Signed) Chester Morrill

MORRILL

X-7846

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks.)

March 31, 1934.

Mr. John N. Peyton,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Peyton:

Receipt is acknowledged of Mr. Swanson's letter of February 13, 1934, with inclosures, in regard to the payment of interest on certain time certificates of deposit issued by the _____ State Bank, _____. It is understood that the precise issue presented is whether the bank, which it is stated was admitted to membership on December 7, 1933, may lawfully pay interest, accruing after October 31, 1933, on a time deposit at a rate in excess of 3 per cent per annum, compounded semiannually, in accordance with the terms of a valid and binding contract entered into in good faith after June 16, 1933, but before admission of the bank to membership in the Federal Reserve System.

If the _____ State Bank should refuse to discharge its lawful obligations to pay interest on time certificates of deposit issued prior to the date of its admission to membership because of the prohibition contained in Section III, subparagraph (c) of the Board's Regulation Q, presumably a suit would lie at the instance of each holder of such a certificate and an enforceable

judgment would be entered against the bank which the bank would be forced to satisfy whether or not such action would come within the terms of the prohibition aforesaid. Furthermore, it should be noted that the expressed intent of the statute with respect to the payment of interest on deposits payable on demand is that the provisions in regard thereto shall not apply to the payment of interest on any deposit with respect to which the payment of interest is required under the terms of a valid and binding contract entered into prior to June 16, 1933, the date the statute became effective, and that in the Board's regulations a similar exception is made in the case of time deposits. Since the provisions of the Act do not become effective with respect to a bank applying for membership until the bank is admitted into the System, it would seem that the principle underlying the exception aforesaid may properly be applicable in a situation such as that under discussion.

In view of the foregoing, the Board will offer no objection to the payment of interest by the _____ State Bank, _____, in accordance with the terms of any contract lawfully entered into in good faith prior to the date of, and not in contemplation of, the admission of such bank to membership in the System, and in force on that date, provided such contract may not be legally terminated or modified by the bank at its option and without liability. It should be understood that no such contract may be renewed or extended unless it be modified to conform to the provisions of Regulation Q, and that the bank will take such action as may be necessary,

-3-

X-7846

as soon as possible consistently with its contractual obligations, to bring all such contracts into conformity with the provisions of such regulations. If the bank pays interest, accruing after October 31, 1933, on any such time deposit at a rate in excess of 3 per cent per annum, compounded semiannually, it must be prepared to show, if requested, that such payment was made in good faith and in strict accordance with the position taken herein.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7848

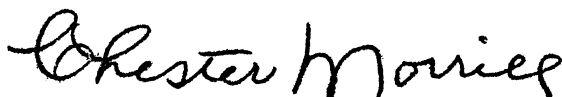
April 6, 1934.

SUBJECT: Depreciation in Securities
Held by State Member Banks.

Dear Sir:

There is attached, for your information, a copy of a letter addressed by the Board under date of April 4, 1934, to the Federal Reserve Agent at the Federal Reserve Bank of St. Louis with regard to depreciation in securities held by State member banks.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS EXCEPT ST. LOUIS.

C O P Y

X-7848-a

April 4, 1934.

Mr. J. S. Wood,
Federal Reserve Agent,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Mr. Wood:

Reference is made to your letter of January 23, 1934, regarding the policy to be followed in requiring the charge-off or elimination of depreciation in securities as shown in the report of examination of a State member bank.

In the letter accompanying the Board's letter of January 18, 1932, X-7062, to which you refer, the Board stated that the amounts of depreciation in stocks and defaulted bonds only should be shown as losses, but that, in negotiations with State member banks and State authorities relative to corrective action, all depreciation in stocks and bonds should be given consideration, and that no favorable opportunity should be overlooked to obtain action calculated to strengthen banks whose depreciation in stocks and bonds exceeds or nearly equals the amount of their surplus and undivided profits. The Board has consistently maintained the position that losses as classified by the examiner should be charged off or otherwise eliminated from the assets of a bank, and, in accordance with such policy, all depreciation in stocks and defaulted bonds should be eliminated.

The Board feels, however, that in these matters State member banks should observe the standards now prescribed for admission to membership in the System. The campaign for the strengthening of the capital

Mr. J. S. Wood - (2)

position of the banks of the country which has been conducted since the general policy in connection with the application of banks for membership in the Federal Reserve System was discussed at the Conference of Federal Reserve Agents last August has afforded opportunity for the banks to make provision for their capital needs, and it is believed that the Federal Reserve Agents should endeavor generally to obtain the same corrections on the part of State member banks as would be required in the case of banks applying for membership in the System. Accordingly, whenever possible the banks should charge off or otherwise eliminate not only all losses in loans and other assets and all depreciation in stocks and defaulted bonds, but also depreciation in all other securities except the following, which for the sake of convenience are referred to as securities in the four highest grades:

- a. Issues of the United States Government or guaranteed as to principal or interest by the United States Government.
- b. Issues of Federal Land and Intermediate Credit Banks.
- c. Issues considered of good standing, and not in default, of States and municipalities in the United States and of the territories and insular possessions.
- d. Miscellaneous issues in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

It is also felt that in any case depreciation in securities in the four highest grades should at least be covered by surplus, undivided profits and/or applicable reserves.

The Board feels that a bank's published statements of condition

Mr. J. S. Wood - (3)

should reflect as nearly as possible the true condition of its assets,
and believes that the policy set forth in this letter is in the interests
of sound banking.

Very truly yours,

(Signed) Chester Morrill,

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 3, 1934.

_____,
_____,
_____,
_____.

Gentlemen:

This refers to your letters of August 4, 1933, October 2, 1933, and January 23, 1934, regarding the question whether allowances made by a member bank to a customer in connection with the discharge of his obligation with respect to a banker's acceptance constitutes a payment of interest directly or indirectly on a deposit which is payable on demand in violation of Section 19 of the Federal Reserve Act as amended.

You state that, in consideration of the bank's agreeing to accept time drafts, the customers of the bank agree, expressly or impliedly, to pay to the bank or its successors or assigns the amount of each such acceptance on the last business day before its maturity or on demand at any time prior thereto, together with the amount of the bank's commission and the amount of all charges and expenses incurred by the bank in connection with the transaction. You further state that it sometimes happens that the customer desires to discharge his obligation before the last business day before the maturity of the acceptance, and that, in order to encourage such desire, the bank accepts payments at a discount rate based upon the number of days

-2-

yet to run until the maturity, thus making an allowance for the unexpired period during which the customer, in the absence of a demand from the bank, might have retained his funds.

If the funds paid to the bank by the customer in such circumstances are not credited to his deposit account on the books of the bank but are applied immediately to the discharge of his obligation to place the bank in funds to retire the acceptances, it would seem that such funds do not constitute deposits and that, therefore, the prohibition upon the payment of interest on deposits payable on demand is not applicable. If, however, the funds are credited to the customer's deposit account and are not applied in discharge of the customer's obligation until the date of maturity of the acceptance, it is the view of the Board that a deposit arises. If such deposit is to be used to discharge the customer's obligation within 30 days or is otherwise payable within 30 days, it constitutes a demand deposit and an allowance or discount in connection with such deposit calculated according to the number of days remaining before maturity of the acceptance must be considered an indirect payment of interest in violation of the prohibition of Section 19 of the Federal Reserve Act upon the payment of interest on any deposit which is payable on demand.

Very truly yours,

(Signed) Chester Morrill,
Chester Morrill,
Secretary.

X-7850

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 3, 1934.

Mr. _____,
_____,
_____,
_____,
_____.

Dear Sir:

Receipt is acknowledged of your letter of March 5, 1934, regarding the question whether a Federal Savings and Loan Association organized under the provisions of the Home Owners' Loan Act of 1933, may be considered a "bank" within the meaning of Section 19 of the Federal Reserve Act.

Section 5 of the Home Owners' Loan Act of 1933 provides for the organization of Federal Savings and Loan Associations "in order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes." Such associations are authorized to raise their capital "only in the form of payments on such shares as are authorized in their charter, which shares may be retired as is therein provided" and to lend their funds "only on the security of their shares or on the security of first liens upon homes or combination of homes and business property within fifty miles of their home office." They are expressly prohibited from accepting deposits and from issuing certificates of indebtedness

except for such borrowed money as may be authorized by regulations of the Federal Home Loan Bank Board.

In the circumstances, the Federal Reserve Board is of the opinion that Federal Savings and Loan Associations are not to be considered banks within the meaning of those provisions of Section 19 of the Federal Reserve Act which relate to the computation of reserves.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 3, 1934.

Mr. Richard L. Austin,
Chairman of the Board,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. Austin:

This refers to your letter of March 12, 1934, inclosing a copy of a letter from the _____ National Bank of _____, _____, dated March 7, 1934, in regard to the issuance by the Federal Reserve Board of a special regulation relating to the payment before maturity of Christmas Club accounts.

If the Christmas Club accounts here in question constitute time deposits as defined by the Federal Reserve Board Regulation Q, such deposits may not lawfully be paid before maturity even though no interest is paid thereon. If, on the other hand, such accounts constitute savings deposits, as defined in the Regulation, such deposits may be paid only in accordance with the provisions of Section VI of the Regulation. The Federal Reserve Board is not authorized to issue a Regulation authorizing the payment of such accounts, which are time or savings deposits, except in accordance with the provisions of the law.

With reference to the suggestion made by the member bank in its letter that a ruling be issued allowing the making of loans in necessitous cases on Christmas Club accounts, attention is called to the provisions of footnote 7 and footnote 10 of the Regulation Q, relating to loans by member banks to the owners of time and savings de-

X-7851

Mr. Richard L. Austin - 2

posits. The Board believes that the provisions of the footnotes mentioned are in accordance with the intention of the statute and it would not be possible for the Board to make exceptions to the requirements prescribed as suggested with respect to Christmas Club accounts.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

X-7852

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 7, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

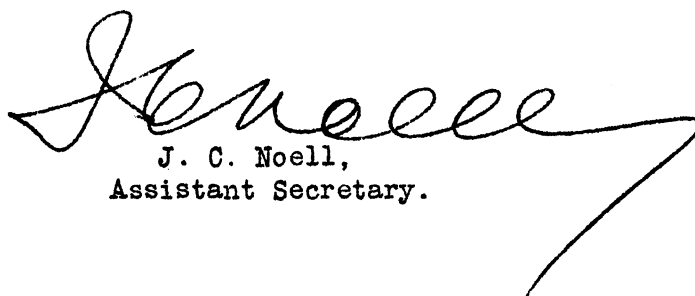
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXKID" - Treasury Bills to be dated April 11, 1934, and to mature July 11, 1934.

"NOXKOW" - Treasury Bills to be dated April 11, 1934, and to mature October 10, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXKEL" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

FEDERAL RESERVE BOARD

195

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7853

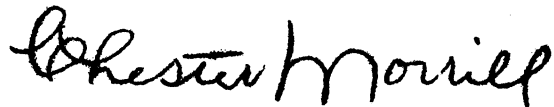
April 9, 1934

SUBJECT: Applicability of Section 8A of Clayton Act
to Organizations Carrying Margin Accounts.

Dear Sir:

The Board's letter of March 27, 1934 (X-7837) contained a ruling which is believed to be of general interest, and the Board intends to publish a statement with regard thereto in the next number of the Federal Reserve Bulletin. However, in view of the period which must elapse before this ruling is available in the Federal Reserve Bulletin, a copy of the statement is being forwarded to you herewith and you are authorized to communicate its substance to all interested persons.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

X-7853-a

APPLICABILITY OF SECTION 8A OF CLAYTON ACT
TO ORGANIZATIONS CARRYING MARGIN ACCOUNTS.

A number of applications under Section 32 of the Banking Act of 1933 raise the question whether the carrying of what are commonly known as margin accounts involves the making of loans "secured by stock or bond collateral" within the meaning of Section 8A of the Clayton Act, which makes it unlawful for any director, officer, or employee of any "bank, banking association, or trust company, organized or operating under the laws of the United States" to be at the same time a director, officer, or employee of a corporation (other than a mutual savings bank) or a member of a partnership which makes loans secured by stock or bond collateral except to its own subsidiaries. This question was material because, as stated on page 123 of the Federal Reserve Bulletin for February, 1934, a permit issued pursuant to the provisions of Section 32 would not have the effect of making Section 8A of the Clayton Act inapplicable to the relationship in question, and such a permit would therefore serve no useful purpose if the relationship were prohibited by the Clayton Act and if no permit therefor had been issued by the Federal Reserve Board pursuant to the provisions of that Act.

The margin accounts which the Board had under consideration are carried in substantially the following manner:

- 2 -

The customer deposits with the broker margin in the form of cash or securities, and orders the broker to purchase or sell certain securities for him. The broker executes the order and furnishes the balance required for the execution of the order. The securities are acquired or sold by the broker for the account and risk of the customer, but all securities in the account are held by the broker. The customer authorizes the broker to pledge, as collateral for any indebtedness of the broker, all securities thus held by the broker, and such pledge may be for a greater sum than the amount which the customer owes to the broker. The broker usually avails himself of this right, in whole or in part, in order to supply himself with funds with which to carry out the orders thus received from his customer. The broker has the right to close the customer's account by sale or purchase, as the case may be, whenever he deems it necessary to protect himself from loss on the customer's obligation. Since the securities are purchased or sold for the account and risk of the customer, he is liable to the broker for any deficiency remaining after the closing of the account. Likewise, any appreciation in the value of the securities bought and any income therefrom during the life of the account are the property of the customer. Securities thus held by the broker for the account of the customer, except those issued in bearer form, are usually issued in the name of the broker or in "street names" and indorsed in blank in order to facilitate handling.

- 3 -

The legislative history of the Banking Act of 1933, and of Section 33 of that Act, which added Section 8A of the Clayton Act, reveals that one of the primary purposes of the Banking Act of 1933 was to prevent an undue use of credit for speculative purposes, and particularly to inhibit the diversion of funds into speculative dealings on the stock exchanges. Since margin accounts, and the brokers' loans by which they were financed to a large extent, constituted a principal source of the credit which was employed in such speculation, it is felt that a construction of Section 8A to the effect that the carrying of margin accounts does not involve the making of loans secured by stock or bond collateral within the meaning of that section would tend to defeat, in a large measure, the purpose of the law. Moreover, since the broker carrying margin accounts is advancing the balance of the funds needed to execute the orders of the customer and thereby furnishing credit for dealing in securities, and since the broker holds the stocks and bonds as security for such advances, it appears that the broker is the creditor of the customer and that his indebtedness is secured by the pledge of the securities in the account. Accordingly, it is the view of the Board that the carrying of such margin accounts involves the making of loans secured by stock or bond collateral within the meaning of Section 8A of the Clayton Act, and that the provisions of that section are therefore applicable to interlocking relationships between national banks and organizations carrying

- 4 -

such accounts.

Although the Federal Reserve Board is authorized by Section 8 of the Clayton Act to issue permits under certain circumstances covering relationships to which the provisions of the Clayton Act are applicable, its authority is limited to the issuance of permits covering the service of not more than three banking institutions of certain classes. Accordingly, a director, officer, or employee of a corporation (other than a mutual savings bank) or a member of a partnership which makes loans secured by stock or bond collateral except to its own subsidiaries, whether in connection with the carrying of margin accounts or otherwise, is prohibited from serving at the same time as a director, officer, or employee of a national bank, and the Board is not authorized to issue a permit for such interlocking services unless such corporation or partnership is a banking institution of one of the kinds referred to in Section 8. In this connection, it should be noted that the phrase "organized or operating under the laws of the United States" in Section 8A of the Clayton Act is not applicable to State member banks of the Federal Reserve System. See page 654 of the Federal Reserve Bulletin for October, 1933.

X-7854

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 4, 1934

_____,
_____,
_____.

Dear Sir:

This refers to your letter to the Comptroller of the Currency, dated March 5, 1934, which has been referred to the Federal Reserve Board for reply.

It is understood that in a safe deposit box in your bank there is a time certificate of deposit, payable at the expiration of 6 months from the date thereof, which is owned by a customer who lives in a place several hundred miles distant from _____. Apparently the customer wishes to continue the deposit on a time basis after the maturity of the original certificate, but desires to avoid the expense which would be incurred if he should be required to present the original certificate in person as a prerequisite to obtaining a renewal certificate evidencing this deposit. You request to be advised whether, if the bank holds the original certificate for an additional 6 months after its maturity, the certificate may be considered to have been renewed, although no record of an extension of the same is made on the books of the bank.

-2-

Section III, subparagraph (e) of the Board's Regulation Q provides in part that after the date of maturity of any time deposit, such deposit is a deposit payable on demand, and no interest may be paid on such deposit for any period subsequent to such date. It is the view of the Board that the procedure which you suggest would not be sufficient to take the deposit in question out of the scope of that provision of the regulation, and that in the circumstances stated the prohibition against the payment of interest would be applicable to such deposit after the date of maturity of the original certificate. However, if your bank and the customer enter into a valid written contract evidenced by letters exchanged between the parties or other written instruments and in accordance with which neither the whole nor any part of such deposit may be withdrawn, by check or otherwise, prior to the date of maturity, which shall be not less than 30 days after the date of the deposit, or on written notice which must be given by the depositor a certain specified number of days in advance, in no case less than thirty days, the Board will offer no objection to the payment of interest on such deposit, at a rate not in excess of that prescribed in Regulation Q, from the date such agreement is entered into until the date of maturity of such deposit. Of course, interest may be paid on such deposit for the period prior to the date of maturity of the original certificate during which such deposit conformed to the requirements of a time deposit as set forth in the Board's Regulation Q.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

202

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7855

April 11, 1934.

SUBJECT: New Issue of Treasury Bonds.

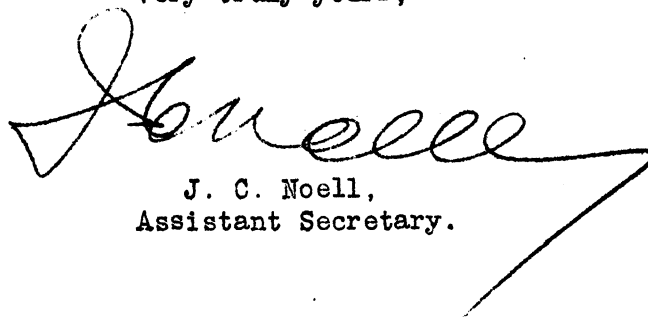
Dear Sir:

In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code word has been designated to cover a new issue of Treasury Bonds:

"NOWCEE" - $3\frac{1}{4}\%$ Treasury Bonds of 1944-46, dated April 16, 1934, due April 15, 1946.

This code word should be inserted in the Federal Reserve Telegraphic Code book following the supplemental code word "NOWCEDILLA" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-7856

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks.)

April 9, 1934.

Mr. M. L. McClure,
Federal Reserve Agent,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. McClure:

Reference is made to your letter of January 20, 1934, in which you ask whether a permit heretofore issued pursuant to the provisions of the Clayton Act which authorizes service as "director" of a bank is valid in case the permittee is now serving as officer as well as director of such bank.

A permit authorizing an individual to serve as a director of a particular bank does not authorize his service as an officer of that bank. However, in such a case it has been the Board's practice not to require the filing of another formal application, but a request by letter that a permit be granted covering his service as officer as well as director has been regarded as sufficient. This procedure may still be followed if the permit to serve as director was based on an application filed on the revised forms issued in connection with the revision of Regulation L, which became effective on November 1, 1933. Such letters should contain the information called for by Question 12 on Federal Reserve Board Form 94, and should

be forwarded to your office so that they may be transmitted to the Board with your recommendation and with any additional information which may have been received by your office since the application was submitted to the Board bearing upon the question whether the revised permit should be granted. However, this procedure should not be followed where the request for a new permit refers to an application filed more than a year previously, and in such a case it is thought desirable to require the filing of a new application in order to assure that the information before the Board will be current.

In view of the fact that the Clayton Act has been amended by the Banking Act of 1933 and that Regulation L and the accompanying forms have been revised, it is felt that the procedure described above should likewise not be followed where the request for a new permit refers to an application submitted on the old forms, but that a new application should be made on the revised forms, since the information before the Board would otherwise not be sufficiently current nor as comprehensive as that now required.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7857

April 12, 1934

SUBJECT: Revised form of report of examination.

Dear Sir:

Inclosed are ten copies of a revised form of report of examination. This form has been prepared in order to provide for additional information required by the Banking Act of 1933 and to standardize, so far as possible, presentation of the information developed in the examinations made by the various Federal reserve banks. In preparing this form, the Board's Division of Examinations has had the cooperation of several of the examiners from the Federal reserve banks who had been on temporary assignment with the Board.

When this revision was first considered, the various Federal Reserve Agents were advised that, when preliminary drafts were completed, copies would be sent to all Federal Reserve Agents for consideration and suggestions. In view of the fact that examiners from the various Federal reserve banks participated in the preparation of the form, reporting to their banks as the work progressed and offering suggestions coming from their banks, and inasmuch as several of the banks desire to print their supplies immediately, the form is offered as a final form and not as a preliminary draft. In preparing its forms, a reserve bank may expand any schedule or alter a schedule in any respect, provided that at least the information called for in the proposed form is developed.

-2-

tion should be set forth on supplemental pages inserted in the proper places and given the appropriate page numbers followed by the letters "a", "b", "c", etc.

The report is submitted with the idea that it is a flexible form which can readily be adapted to the requirements of all districts with varying State laws and banking regulations, and to any unusual situations. While it is expected that the forms as prepared by the various Federal reserve banks may of necessity vary to some extent from the proposed form, it is requested that no change be made in the order of the report or in the numbering of the pages, as, for review purposes, it is highly desirable that the information be developed in a uniform manner.

The original purpose of the revision was to prepare a standardized form of report for use by the twelve Federal reserve banks. Since the revision was begun the scope of the plan has been broadened to include cooperation with the Federal Deposit Insurance Corporation and the Comptroller of the Currency in order to obtain the advantages which might be gained through the use of more or less uniform forms of examination reports.

The Federal Deposit Insurance Corporation has been considering a revision of its examination forms, and a committee of examiners from that organization adopted the basic plan of the report which had been prepared for use by the reserve banks. A number of changes suggested by the examiners for the Corporation have been in-

-3-

incorporated in the final draft submitted herewith which has been adopted for use by the Federal Deposit Insurance Corporation with such changes as are necessary to provide the special information needed by that Corporation.

A revision of the present form of national bank examination report is planned by the Office of the Comptroller of the Currency. Drafts of the attached form have been reviewed with representatives of his office, and it is understood that in a number of respects the revised form will be similar to the form submitted herewith. In particular, it is understood that the section covering the examination of the trust department will be substantially the same.

It will be noted that the pages relative to the trust department provide for few schedules. The activities and conditions of such departments are so varied that, while it has been considered advisable to endeavor to develop certain information, both general and specific, through the use of a standard form of report, it has seemed best to leave to the discretion of the examiners the number and form of supporting schedules considered necessary to reflect the condition of the trust department.

If the form is submitted to any of the State banking authorities, it should, of course, be made clear that the form is designed to be flexible and not a complete report which may be used without change in all States. Should any of the State banking departments revise their reports in accordance with this form, it is suggested

-4-

that you request the departments to retain, so far as possible, the order of the suggested report and the numbering of the pages.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosures.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

209

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7858

April 13, 1934.

SUBJECT: Treatment of Leaves of Absence Prior
to March 1, 1934, in Determining Prior
Service of Employees Under Retirement
System.

Dear Sir:

There is attached, for your information, a copy
of a letter which the Board is addressing today to the
Chairman of the Retirement Committee of the Retirement
System of the Federal reserve banks with regard to the
treatment of leaves of absence prior to March 1, 1934,
in determining the prior service of employees under the
retirement system.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO GOVERNORS OF ALL F. R. BANKS.

C O P Y

X-7858-a

210

April 13, 1934.

Mr. L. R. Rounds, Chairman,
Retirement Committee,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Rounds:

Receipt is acknowledged of your letter of March 30, 1934, addressed to Governor Black, and which apparently has been forwarded by you to all Federal reserve banks for the purpose of calling their attention to the failure of some of the banks to fill in form 6 in such a manner as to make it possible for the retirement committee to check the accuracy of the report.

In reading your letter, it is noted that as to leaves of absence granted prior to March 1, 1934, it will be necessary for the employing bank to determine in each individual case whether it wishes the period of the leave of absence to count as prior service. The Federal Reserve Board has given consideration to this matter and has decided that as to its employees, all leaves of absence on account of illness or to serve the Federal Government in a military or related capacity, or in a civil capacity, or to serve one of the corporations owned or controlled by the Government, and all other leaves of absence not to exceed six months, will be counted as prior service. However, in any case where an employee has resigned to accept other employment and is subsequently reemployed by the Federal Reserve Board, the time during which he was out of the employ of the Board will not be in-

X-7858-a

Mr. L. R. Rounds

- 2 -

cluded in his prior service.

A copy of this letter is being forwarded to each Federal reserve bank for its information.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7859

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

April 13, 1934

_____,
_____,
_____.

Dear Sir:

Receipt is acknowledged of your letter of January 25, 1934, with inclosure, in regard to the question whether the _____ National Company of _____, _____, an affiliate of _____ National Bank of _____, is a "securities company" within the purview of Section 20 of the Banking Act of 1933, which provides in part that after one year from June 16, 1933, no member bank shall be affiliated in any manner described in Section 2(b) thereof with any "* * * corporation * * * engaged principally in the issue, flotation, underwriting, public sale, or distribution * * * of stocks, bonds, debentures, notes, or other securities". In the opinion of counsel for the bank inclosed with your letter, there was raised the additional issue whether the company could be considered as being engaged primarily in the business of "purchasing, selling or negotiating securities" within the meaning of Section 32 of the Act, which provides in part that from and after January 1, 1934, no officer or director of any member bank shall be an officer, director or manager of any "* * * corporation * * * engaged primarily in the business of purchasing, selling or negotiating

-2-

securities * * * ".

From the information submitted it appears that the activities of the _____ National Company consist principally in its making loans secured by mortgages or deeds of trust on real estate, and in its acting as trustee under deeds of trust on large tracts of land or oil properties. It is understood that the agreements under which the company acts as trustee secure the payment of obligations in the form of notes or bonds, but that such obligations are negotiated before the instruments securing the obligations are executed, and that the company does not participate in the "issue, flotation, underwriting, public sale, or distribution" of such obligations. Apparently the company merely agrees to make collections of the loans and to distribute the moneys collected to the holders of the various obligations secured by the deeds of trust.

One of the principal purposes of the Banking Act of 1933 was to effect a separation of commercial and investment banking, and it appears that Sections 20 and 32 of that Act were designed to aid in the accomplishment of this purpose. Although there may be mortgage notes of a kind which should be classified as "notes or other securities" for the purposes of Section 20, the Federal Reserve Board is of the opinion that mortgage notes arising out of the ordinary type of direct loans on real estate are not "notes or other securities" within the intendment of Section 20, and that neither such notes nor the mortgages securing the same should be classified as "stocks, bonds, debentures, notes or other securities" in determining whether

-3-

an organization engaged in dealing in such obligations comes within the scope of said Section 20. Accordingly, the Board is of the opinion, on the basis of the facts submitted, that the _____ National Company cannot be considered as engaged principally in the "issue, flotation, underwriting, public sale or distribution * * * of stocks, bonds, debentures, notes or other securities" within the meaning of Section 20.

Similarly, the Board is of the opinion that neither mortgages nor ordinary mortgage notes are "securities" within the intentment of Section 32 and that such obligations should not be classified as securities for the purposes of that section. On the basis of the facts submitted, therefore, the Board concurs in the opinion of your counsel that the _____ National Company does not come within the purview either of Section 20 or of Section 32 of the Banking Act of 1933.

The views expressed above should not be construed as an expression of opinion by the Board that mortgage notes and mortgages should not be considered "stocks, bonds, debentures, notes, or other securities" within the meaning of Section 21(a) of the Banking Act of 1933. Said Section 21 provides a penalty of fine or imprisonment for violation of its provisions and the interpretation of the provisions of that section is a matter entirely within the jurisdiction of the Department of Justice. Since an expression of opinion by the Federal Reserve Board as to what would constitute a violation

X-7859

-4-

of that section would not afford protection from criminal prosecution if the Department of Justice, upon consideration of the matter, should take a contrary position and determine to prosecute for a violation thereof, the Federal Reserve Board does not feel that it would be appropriate to undertake to express an opinion on the question whether mortgage notes or mortgages should be considered "stocks, bonds, debentures, notes, or other securities" within the meaning of that section.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks)

April 13, 1934.

Mr. Isaac B. Newton,
Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Newton:

A portion of Mr. Sargent's letter of February 21, 1934, was answered by the Board's telegram of March 17, 1934, to Mr. Sargent, calling his attention to the Board's letter of March 12, 1934 (X-7820), as well as to its letter of December 22, 1933 (X-7739). This letter has reference to the remainder of Mr. Sargent's letter of February 21, 1934, which inquired as to the applicability of Section 32 of the Banking Act of 1933 to the service of a director of a national bank as a director of _____ Brokerage, Inc., _____, _____. In his letter Mr. Sargent quoted the following statement regarding that corporation:

" _____ Brokerage Inc. is an Associate Member of the _____ Stock and Curb Exchanges. The company does not carry a position in securities or a portfolio of any kind whatsoever, neither does it permit margin accounts. The company acts exclusively as broker on orders received from clients for the purchase of securities for cash on the Stock Exchange. Its duties therefore are those of an agent acting in accordance with Stock Exchange requirements and the company cannot be regarded as 'a dealer in securities'."

Mr. Isaac B. Newton - 2

It appears that it is the purpose of Section 32 to restrict relationships between member banks and organizations which are directly interested in issues of securities through underwriting, distributing, or dealing in such issues, because of the possible undesirable effect of such relationships upon the member bank's credit or investment policies or its policies in dealing with its customers. A broker, however, who merely executes orders for the purchase and sale of securities on behalf of others in the open market and who is not engaged in underwriting, distributing, or dealing in securities would not be within the class referred to. Moreover, the words "purchasing" and "selling" are words which connote the passing of ownership to or from the person making the purchases or sale.

Accordingly, Section 32 is not deemed to be applicable to a broker who merely executes, in the open market, orders received from others for the purchase and sale of securities belonging to others and who is not engaged in underwriting, distributing, or dealing in securities. As you know, the Board has decided that the carrying of margin accounts ordinarily involves the making of loans secured by stock or bond collateral within the meaning of Section 8A of the Clayton Act. See the Board's letter of March 27, 1934 (X-7837). However, it appears from the statement quoted above that the company in question does not carry margin accounts.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

X-7861

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 16, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

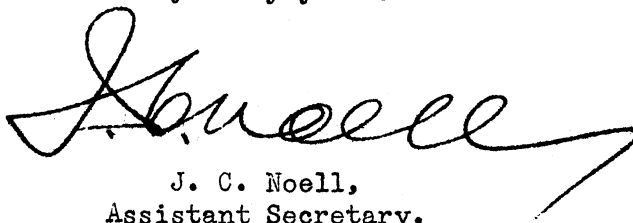
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXKUE" - Treasury Bills to be dated April 18, 1934, and to mature July 18, 1934.

"NOXLACE" - Treasury Bills to be dated April 18, 1934, and to mature October 17, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXKOW" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7862

April 16, 1934.

SUBJECT: Daylight Saving, 1934.

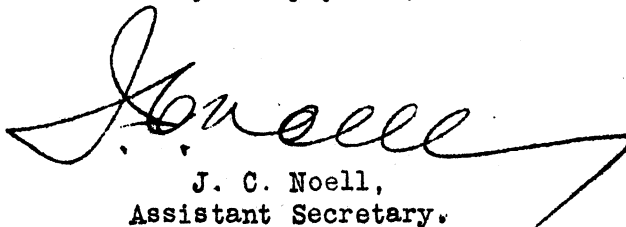
Dear Sir:

The Federal Reserve Board is advised that, beginning Monday, April 30, and ending Saturday, September 29, 1934, the following Federal reserve banks and branches will operate under daylight saving time:

Boston	Philadelphia
New York	Pittsburgh
Buffalo	Chicago

Please notify branches.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

220

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7863

April 16, 1934.

SUBJECT: Salaries of Officers of Federal Reserve Banks.

Dear Sir:

In connection with the adjustments as of the first of the year of salaries of officers at certain Federal reserve banks, the Board considered a suggestion that some method be adopted by which proposed changes, at least with respect to those of an important character, in the salaries of officers of Federal reserve banks might be considered somewhat informally in advance of the submission of definite recommendations by the boards of directors of the Federal reserve banks so that the Board on the one hand might be informed more adequately as to the views and reasons of the directors of the Federal reserve banks, and on the other hand the directors might have an opportunity to ascertain the reasons that would impel the Federal Reserve Board to its conclusions with respect to their recommendations.

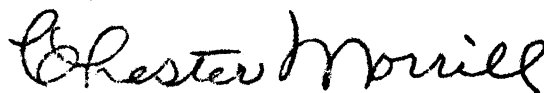
The plan which the Board now has in mind is that at some time before important changes in salaries are made, which ordinarily take place as of January 1 of each year, the directors of your bank would consider informally what action they desire to

-2-

take and arrange to have either the chairman of the board or a committee of the directors communicate with the Board's committee for your district and go over the matter with a view to arriving at an understanding, subject, of course, to the Board's formal action in the usual way when the regular schedule of salary rates for the succeeding year is submitted. These communications could be had in November so as to allow ample time for the further consideration of adjustments that might seem advisable as the result of such communications.

It will be appreciated if you will bring the above plan to the attention of the directors of your bank and advise the Board whether they have any comments or suggestions to make with regard thereto.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK AND CHICAGO

FEDERAL RESERVE BOARD

222

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7864

April 17, 1934.

SUBJECT: Conversion of Gold Coins by
Bank Tellers.

Dear Sir:

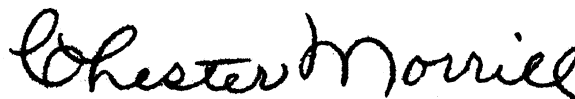
The Federal Reserve Board has received from the
Secret Service Division of the Treasury Department the
following memorandum:

"The Secret Service has received
information to the effect that tellers
in some banks throughout the country
are converting to their own use gold coins
surrendered to their bank by customers.

"It is therefore requested that
officials of banks be circularized and
asked to warn their tellers that this
practice is in violation of law."

You are requested to bring this matter to the at-
tention of all of the State member banks in your district.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

223

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7865

April 18, 1934.

SUBJECT: Consent to Exhibit N of Voting Permit
Applications Not to Be Required from
Member Banks.

Dear Sir:

At the time of the adoption of the Board's printed form of application for a voting permit under authority of Section 5144 of the Revised Statutes, as amended, it was believed that in order that the Board might obtain all necessary information, including information from clearing-houses and similar organizations, member banks with which an applicant or any of its subsidiaries were affiliated should be required to consent to Exhibit N on F.R.B. Form P-4, entitled "Authorization to Constituted Authorities to Furnish Information". In this respect the directions on F.R.B. Form P-4 differed from the directions printed on the companion agreement, Exhibit L on F.R.B. Form P-3, which specifically excepted member banks from the affiliated organizations which were required to execute Exhibit L.

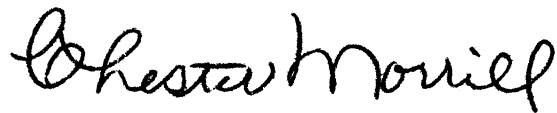
In the light of a recent request and with a view to reducing the labor involved in filing applications for voting permits, the Board has recently reviewed the basis of its previous requirement that the consent of affiliated member banks should be obtained

-2-

to Exhibit N and has decided that hereafter such consent will not ordinarily be required from any national bank or State member bank with which the applicant or any of its subsidiaries is affiliated.

You are requested to bear this in mind with respect to future applications and such applications already filed as are lacking the consent of one or more affiliated member banks to Exhibit N and to make such notations on copies of F.R.B. Form P-4 available for distribution by your Bank as you may deem to be necessary in order that the present directions shall not be misleading.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill".

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

X-7866

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks.)

April 16, 1934.

_____,
_____,
_____,
_____.

Dear Sir:

Your letter of November 2, 1933, addressed to the Deputy Comptroller of the Currency, has been referred to the Federal Reserve Board for reply. You ask whether the service of one of the directors of your bank as a director of the _____ Bond and Mortgage Guarantee Company at _____ is prohibited by the Banking Act of 1933. Your inquiry evidently has reference to the provisions of Section 32 of that Act.

You describe the business of that company as consisting in the making of mortgages on real estate and the selling of such mortgages, as well as certificates of participation issued in series against pools of such mortgages held in trust, to its customers, with its guarantee, deducting a part of the interest as its compensation.

Section 32 of the Banking Act of 1933 prohibits certain relationships between member banks and organizations engaged in the business of purchasing and selling "securities". The answer to your question therefore depends upon whether such mortgages and participation certificates are "securities" within the meaning of

that section.

One of the principal purposes of the Banking Act of 1933 was to effect a separation of commercial and investment banking, and it appears that Section 32 of that Act was designed to aid in the accomplishment of this purpose. Although there may be mortgage notes of a kind which should be classified as "securities" for the purposes of Section 32, the Federal Reserve Board is of the opinion that mortgage notes arising out of the ordinary type of direct loan on real estate are not "securities" within the intentment of Section 32, and that neither such notes nor the mortgages securing the same should be classified as "securities" in determining whether an organization engaged in dealing in such obligations comes within the scope of Section 32.

The Board has further reached the conclusion that it is not possible to lay down any general rule as to whether certificates of participation based on mortgages are included, or are not included, within the term "securities" in Section 32, since such certificates of participation vary so widely in character. Accordingly, if you desire a ruling on this question with respect to any particular certificates, it is suggested that there be submitted a sample copy of the form of certificate of participation employed, as well as a detailed description of the manner in which such participations are created and issued, and information as to the maturity of the obligation, whether it constitutes part

of an "issue", the total amount of such issue, if any, and the number and size of the units, the manner in which the certificates are distributed and sold to investors, the purpose for which the certificates are issued, whether they are designed to be more or less actively traded in, whether they are in form negotiable, whether they are "registered" and transferable on the books of the issuer, and whether they are commonly known as "securities" by persons dealing therein.

It is requested that such information be submitted to the Federal Reserve Agent at the Federal Reserve Bank of your district in order that he may transmit it to the Federal Reserve Board with his comments.

Your attention is called to the fact that Section 32 refers to organizations which are engaged "primarily" in the business of purchasing, selling, or negotiating securities, and it may be that even if the corporation to which you refer is engaged in that type of business it is not engaged "primarily" in such business. The question is essentially a question of fact which must be decided on the basis of all the facts and circumstances of each particular case; and no fixed rule based on percentages of business transacted or income received can be laid down for deciding whether or not an organization is engaged "primarily" in the business referred to. If you desire a ruling upon this question in connection with the corporation named in your letter, it is suggested that you

-4-

furnish the Federal Reserve Agent at the Federal Reserve Bank of your district with a full description of the various types of business transacted and of their relation to each other, and, for each of the past three years, a statement of the gross and net profits derived from each type, of total gross and net profits, of the total volume of transactions in each type of business, and of total volume of business.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

229

WASHINGTON

X-7867

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 21, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

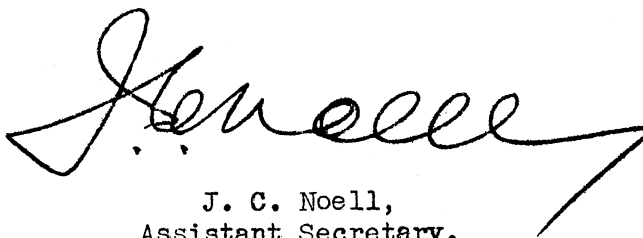
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXLAST" - Treasury Bills to be dated April 25, 1934, and to mature July 25, 1934.

"NOXLEM" - Treasury Bills to be dated April 25, 1934, and to mature October 24, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLACE" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

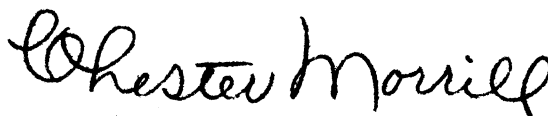
X-7868

April 21, 1934.

Dear Sir:

There is attached hereto for your information a copy of a letter which the Federal Reserve Board has addressed to one of the Federal reserve agents in reply to an inquiry with regard to whether the proceeds of the sale of debentures by a bank may properly be used to eliminate losses in the bank and as to the manner in which the bank's obligation on such debentures should be shown in its reports and published statements.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

X-7868-a

April 14, 1934.

_____,
_____,
_____,
_____.

Dear Mr. _____:

Reference is made to Mr. _____ letter of March 6, 1934, with regard to the proposed elimination of losses in the _____ Banking and Trust Company of _____, _____. It appears that the trust company proposes to sell its debentures in the amount of \$250,000 to the Reconstruction Finance Corporation and to use the proceeds of the sale of such debentures to charge off approximately \$250,000 of assets criticized by the examiner at the time of its last examination. Mr. _____ inquired whether the trust company may properly effect the eliminations in this manner and in its reports and published statements show its obligation on the outstanding debentures only in a footnote to such reports and statements containing a statement to the effect that it has sold debentures to the Reconstruction Finance Corporation in the amount of \$250,000.

A bank's reports and published statements should reflect the true condition of its assets and liabilities including all of its capital accounts. Inasmuch as capital debentures represent a definite obligation of the bank to the holders of such

-2-

debentures, the amount of the bank's liability on account of any such debentures outstanding should be shown as such in the bank's reports and published statements rather than in a footnote thereto, and, in order to avoid any deficiency in the capital accounts of the bank, its assets, of course, must be equal to the amount of its obligations to depositors and other creditors and the amount of all of its capital accounts including capital debentures. Therefore, as indicated in Mr. _____ letter, it is apparent that if the reports and published statements of the _____ Banking and Trust Company are to reflect correctly the condition of the assets and liabilities of the bank and not reflect a deficiency in the bank's capital accounts after the proposed eliminations it will be necessary, in the circumstances described in this case, for the bank by appropriate action to reduce its surplus or outstanding capital stock in an amount sufficient to provide for such eliminations.

In this connection your attention is called to the fact that the Board's instructions for preparing the last call report of State member banks contain the following provisions relating to the method of reporting capital accounts.

"A State bank member should not show any surplus or undivided profits in condition reports on Form 105 so long as the net book value of capital notes and debentures and capital stock is less than the aggregate of (1) the amount at which capital notes and debentures or preferred stock must be retired or to which the holders thereof are entitled in case of liquidation, and (2) the par value of common stock."

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7869

April 21, 1934.

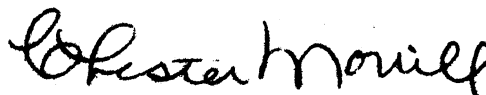
SUBJECT: Changes in inter-district time schedules.

Dear Sir:

Upon agreement between the Federal Reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedules for cash items:

		<u>From</u>	<u>To</u>
Dallas	to San Francisco	3 days	4 days
El Paso	" "	2 "	3 "
"	" Portland	3 "	4 "
"	" Richmond	4 "	3 "
"	" Chicago	3 "	2 "
San Antonio	" Salt Lake City	4 "	3 "

Very truly yours,



Chester Morrill,
Secretary.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

April 17, 1934.

Mr. Eugene M. Stevens,
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

On April 11, 1934, Mr. C. S. Young, Assistant Federal Reserve Agent of your bank, left with Mr. DuBois, an assistant counsel to the Board, a letter dated April 9, 1934, from _____, President of The _____ Trust Company, _____, to Mr. Dunn, General Counsel of your bank, a letter from Mr. _____ to Mr. Young dated April 2, 1934, and a copy of a Deed of Trust, dated May 28, 1932, by and between Mr. _____ as party of the first part and the _____ Trust Company, as party of the second part, creating an irrevocable trust to be known as the _____ Bank Stock Trust. Under this Deed of Trust Mr. _____ transferred shares of stock of certain banks to the _____ Trust Company, as trustee, to be held in trust for the purposes set forth. It is understood that a ruling of the Board is requested as to whether by reason of the Deed of Trust any organization is a holding company affiliate, as defined in Section 2(c) of the Banking Act of 1933, of one or more of the banks, the stock of which is now held in this trust.

Section 2(c) of the Banking Act of 1933 defines a holding company affiliate as a corporation, business trust, association or other similar organization which is in a position to exercise controlling influence over a member bank in any one of certain ways specified in

Mr. Eugene M. Stevens --2

X-7871

the definition. No "business trust" is created by the Deed of Trust, but the _____ Trust Company is a corporation and the question is therefore raised whether by reason of its position as trustee under this Deed of Trust it falls within the scope of the statutory definition.

The Attorney General of the United States in answer to a question propounded by the Secretary of the Treasury has stated in an opinion that

"it does not seem objectionable to say that I perceive the force of your Solicitor's conclusion that ownership and control through majority stock-holding does not include a holding by a bank merely as executor or in some other such fiduciary or representative capacity, subject to control by a court, or by a beneficiary or a principal, and without the incentive and opportunities which might arise from a holding of the stock by the bank as its own property".

Under the terms of the Deed of Trust here considered the corporate trustee holds the stock constituting the corpus of the trust as trustee and without the incentive or opportunity for private profit, but it determines the manner in which such stock is to be voted and in so doing apparently is not subject to control by any court, beneficiary or principal. It is therefore the opinion of the Board that if it holds under the Deed of Trust more than 50 per centum of the outstanding number of shares of the stock of any member bank or more than 50 per centum of the number of shares of the stock of any such bank voted for the election of directors at the preceding election, the _____ Trust Company is a holding company affiliate of such bank or banks and

Mr. Eugene M. Stevens --3

X-7871

the stock of such bank or banks owned or controlled by it, either in its capacity as trustee or otherwise, may not validly be voted unless it first obtains from the Board a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended.

The Board is not in possession of sufficient facts to rule definitely that no other organization is a holding company affiliate of any of the member banks whose stock is held in this trust, but it is believed that the foregoing ruling is determinative of the doubt which prompted the inquiry submitted by Mr. Young. You are requested to advise Mr. _____ of the Board's conclusion and to furnish the _____ Trust Company with a copy of the Board's Regulation P and copies of the Board's printed form of application for a voting permit. The two letters from Mr. _____ referred to in the opening paragraph of this letter are returned to you herewith.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill
Secretary.

Inclosures.

FEDERAL RESERVE BOARD

237

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7872

April 23, 1934.

SUBJECT: Holidays During May, 1934.

Dear Sir:

The Federal Reserve Board has been advised that the following holidays will be observed by Federal reserve banks and branches during May, 1934:

Thursday, May 10,	Charlotte	Confederate Memorial Day
Friday, May 18,	Portland	Primary Election Day
Monday, May 21,	Charlotte	Mecklenburg Independence Day

On the dates mentioned the branches affected will not participate in either the transit or Federal reserve note clearing through the Gold Settlement Fund. Please include credits for the offices named on each of the foregoing dates in your transit clearing of the following business day.

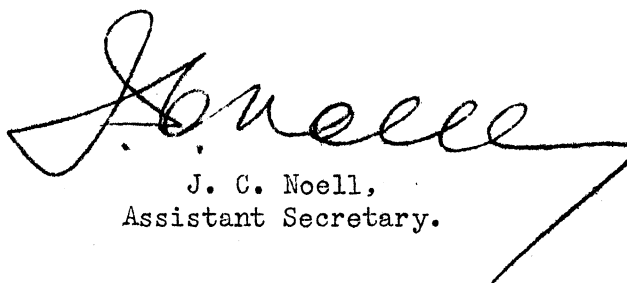
On Wednesday, May 30, there will be neither transit nor Federal reserve note clearing and the books of the Board's Gold Settlement Fund will be closed. The offices of the Board and of all Federal reserve banks and branches with the exception of the following, will be closed on that day:

-2-

Charlotte	Savannah Agency
Atlanta	Havana Agency
New Orleans	Little Rock
Birmingham	Memphis
Nashville	
Jacksonville	

Please notify branches.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

April 24, 1934

Mr. W. W. Hoxton,
Federal Reserve Agent,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Hoxton:

Receipt is acknowledged of your letter of April 6, 1934, with inclosure, in which you request to be advised whether a member bank may pay interest on a deposit received on April 2, 1934, for a period beginning April 1, 1934, which was a Sunday. It is understood that your inquiry relates to deposits which constitute time or savings deposits within the meaning of the Board's Regulation Q.

You are advised that the Board will offer no objection to the payment of interest at a rate not in excess of that prescribed in Regulation Q for a period beginning with the first day of any month, in any case in which such first day falls on a Sunday or legal holiday, on any time or savings deposit received on the first business day after such Sunday or holiday and ending when the deposit is actually withdrawn or ceases to conform to the definition of a time or savings deposit as contained in the Board's Regulation Q, whichever shall first occur.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

X-7874

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

April 24, 1934.

_____,
_____,
_____,
_____.

Dear Sir:

Your letter of March 19, 1934, addressed to the Comptroller of the Currency, has been referred to the Federal Reserve Board for reply. You request to be advised whether it is permissible to allow checks to be drawn against savings accounts before interest paying dates and also whether it is permissible to handle in the savings department an account for another bank on which interest is paid but against which no checks are drawn before interest paying dates.

With respect to your first question, it is noted that you refer to the drawing of checks against savings accounts. One of the requirements of a savings deposit, as the term is defined in Section V of the Federal Reserve Board's Regulation Q, is that the pass book or other form of receipt evidencing such deposit must be presented to the bank whenever a withdrawal is made. The drawing of checks against an account in the usual sense does not constitute a compliance with this requirement, and, unless the accounts in question are deposits of funds with respect to which the pass book or other form of receipt evidencing such deposits must be presented to the bank whenever a withdrawal is made and are deposits which otherwise comply with the requirements of

savings deposits as defined in subsection (a) of Section V of the Board's Regulation Q, it is believed that interest may not lawfully be paid thereon.

If, however, the presentation of the pass book or other form of receipt is required upon the withdrawal of funds from such accounts and such accounts otherwise conform to the definition of savings deposits which is contained in the regulation, there is no provision in the law or in the Board's regulation which would prohibit the withdrawal of funds from such accounts prior to the dates upon which interest is customarily paid by the bank thereon, provided that the withdrawal of such funds is made in accordance with the provisions of Section VI of Regulation Q and that the interest paid is not in excess of the rate prescribed in such regulation.

With respect to your second question, it is understood that you wish to be advised whether funds received from another bank may properly be regarded as savings deposits within the meaning of the Board's Regulation Q. In the opinion of the Federal Reserve Board, funds of another bank deposited in your bank would not constitute a deposit consisting of funds accumulated for bona fide thrift purposes and may not, therefore, be considered savings deposits within the meaning of the definition set forth in Regulation Q.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7875

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 27, 1934.

Hon. J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Sir:

This refers to your memorandum of October 25, 1933, inclosing a letter dated October 6, 1933, from _____ National Bank of _____.

The letter states that the bank holds a note in the amount of \$65,000 of the _____ Company of _____, which is not an affiliate of the bank; and that such note bears the indorsement of eight names, among them being that of _____, a holding company affiliate of the bank. You ask whether, in the opinion of the Board, the indorsement of the note by _____ renders the transaction a "loan or extension of credit" to an affiliate of the bank within the meaning of Section 23A of the Federal Reserve Act so as to make it necessary for the bank to require collateral for the loan represented by such note.

While it is not entirely clear from the letter, it is understood that the note of the _____ Company was delivered directly to the bank, and that the name of _____ appears thereon as that of an accommodation indorser only. Assuming this to be the case and that no part of the proceeds of the loan were

-2-

used for the benefit of, or transferred to, _____, it is the opinion of the Board that the member bank in making the loan upon the note in question did not make a "loan or extension of credit" to its affiliate within the meaning of Section 23A of the Federal Reserve Act and that, therefore, the fact that this firm is an accommodation indorser upon the note does not make it necessary under the law that the loan represented by such note be secured by collateral.

However, aside from the applicability of the terms of Section 23A, the desirability of a member bank's making a loan upon which it is deemed necessary to obtain the accommodation indorsement of an affiliate, in some circumstances at least, would appear to be questionable. In many cases, it may be that the identity of interests between the affiliate and the bank is such that an accommodation indorsement of the affiliate would not as a practical matter afford the bank any additional protection or security; and, where there is such an identity of interest or other reason why such an indorsement of an affiliate furnishes no additional protection, the Federal Reserve Board feels that member banks should be discouraged in so far as practicable from making loans without collateral security upon which the indorsement of such affiliate is required.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7876

April 28, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

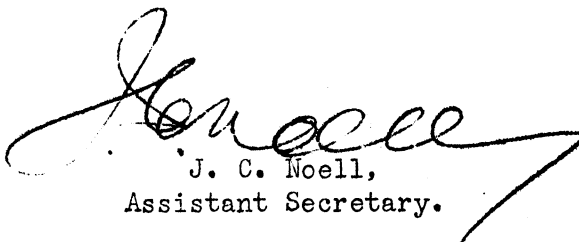
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXLET" - Treasury Bills to be dated May 2,
1934, and to mature August 1, 1934.

"NOXLEW" - Treasury Bills to be dated May 2,
1934, and to mature October 31, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLEM" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-7878

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

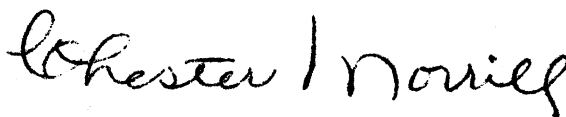
April 30, 1934.

SUBJECT: Administration of Requirements of
Regulation Q with Respect to Savings
Deposits.

Dear Sir:

For your confidential information only, there is inclosed herewith a copy of a letter which the Federal Reserve Board has addressed to the Comptroller of the Currency in response to a request from him for rules which may be given to examiners as a guide to them in determining whether the requirement of Regulation Q that savings deposits consist of funds accumulated for bona fide thrift purposes is being complied with. It is not intended that the views expressed in the inclosed letter should be communicated to member banks or to others, but the letter is submitted to the Federal reserve banks as an aid to them in the performance of their duties in connection with examinations of member banks.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

COPY

X-7878-a

April 28, 1934.

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. Comptroller:

Receipt is acknowledged of your letter of March 29, 1934, with reference to the Board's letter of March 27, 1934, regarding the meaning of the word "thrift" as used in the definition of savings deposits contained in the Federal Reserve Board's Regulation Q. You state that your office has advised national bank examiners that they must determine, insofar as possible, whether or not the regulations of the Federal Reserve Board on this subject are being complied with and that the examiners have requested that your office further define for them the phrase "funds accumulated for bona fide thrift purposes" as used in the regulation. Accordingly, you desire that the Board advise you as to any general set of principles or rules which could be given to examiners as a guide to them in the performance of their duties.

It will be observed that Regulation Q relates to three classes of deposits: Deposits payable on demand, time deposits and savings deposits. The payment of interest on deposits payable on demand, directly or indirectly, by any device whatsoever is prohibited. Interest may be paid in accordance with the regulation on time deposits, but no time deposit may be paid before its

Honorable J. F. T. O'Connor

X-7878-a

-2-

maturity. Interest may be paid in accordance with the regulation on savings deposits and savings deposits may, under certain stated conditions, be paid without requiring notice of withdrawal. The primary purpose of the requirement that savings deposits consist of funds accumulated for bona fide thrift purposes is to prevent the payment of interest on funds which should properly be classified as deposits payable on demand and the payment before maturity of funds which should properly be classified as time deposits. Accordingly, the most important consideration in undertaking to determine what are funds accumulated for bona fide thrift purposes is to guard against the use of savings accounts as a means of evading the prohibition against the payment of interest on deposits payable on demand or of the prohibition upon the payment of a time deposit before its maturity. If an examiner has reason to believe that funds have been classified as savings deposits in order to avoid either of these prohibitions he should make diligent inquiry into the nature of the deposit and if not entirely satisfied as to the correctness of the classification should criticize it in his report. In confidential instructions issued by your office to examiners, however, it would seem entirely proper to point out that if the examiner is satisfied that a member bank has acted in good faith in classifying any particular deposit as a savings deposit and has not made such classification in an endeavor to evade either of the prohibitions referred to, he will not be expected to apply the

Honorable J. F. T. O'Connor

X-7878-a

-3-

requirement as to funds accumulated for bona fide thrift purposes in a strict or technical manner; and this is particularly true with reference to accounts consisting of small amounts. If the examiner approaches questions of this kind with these considerations in mind and with an understanding that the requirement that savings deposits consist of funds accumulated for bona fide thrift purposes should not be given a strict and technical interpretation except where it appears that an evasion of the statute or a lack of good faith is involved, it is believed that many of the administrative difficulties with reference to this matter will be avoided.

As stated in its letter of March 27th to Mr. Awalt, the Federal Reserve Board believes that the question whether deposits may be considered funds accumulated for bona fide thrift purposes so as to constitute savings deposits within the meaning of the regulation is one upon which no general rule can be prescribed and each case must necessarily be determined on the basis of its own particular facts. In view of the circumstances set forth in your letter, however, and in order to be as helpful as may be possible to your examiners in this connection, the Federal Reserve Board states herein some of the considerations which it feels may properly enter into a determination of the question whether deposits constitute savings deposits within the meaning of Regulation Q.

Generally speaking and without intending to exclude other classes of deposits, the Federal Reserve Board feels that deposits

Honorable J. F. T. O'Connor

X-7878-a

-4-

which consist of funds in relatively small amounts which are being or have been accumulated by persons of limited financial means may be considered presumptively by the examiners to be funds accumulated for bona fide thrift purposes. Likewise it is believed that the same presumption should obtain with respect to funds which are being or have been accumulated in order to provide for old age or for contingencies which may not be foreseen, such as sickness or accident, and also with respect to funds which are being or have been accumulated in order to provide for anticipated expenditures such as, for example, the purchase of homes, furnishings, etc., and Christmas or vacation expenses, as well as for anticipated obligations falling due within a reasonable time, such as tax liabilities or insurance premiums.

It would seem that deposits of corporations in most cases probably would not consist of funds accumulated for bona fide thrift purposes; but here again no general rule can be laid down. Funds of a business enterprise which are temporarily idle such as surplus funds or funds commonly known as reserve funds would not ordinarily seem to constitute funds accumulated for bona fide thrift purposes. With respect to firms and individuals engaged in business, the nature of the business may be important in determining this question. Funds deposited by one bank in another would not, in the opinion of the Board, constitute funds accumulated for bona fide thrift purposes.

Honorable J. F. T. O'Connor

X-7878-a

-5-

None of the considerations mentioned above is to be considered as conclusive of the question whether funds may be regarded as accumulated for bona fide thrift purposes or as savings deposits and, as indicated, each case must be determined in the light of its particular circumstances. It is hoped, however, that these general statements may be indicative of the classes of deposits which in proper circumstances may constitute savings deposits and that they may be of assistance to your examiners in this connection.

It may be that you will desire to transmit to your examiners a copy of this letter or the substance thereof and the Federal Reserve Board has no objection to such a course of action provided the examiners are instructed that the information contained therein is given to them for their confidential information only.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

X-7879

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 28, 1934.

_____,
_____,
_____.

Dear Sir:

This refers to your letter of October 9, 1933, addressed to the Board's General Counsel, in which you raise the question whether certificates of deposit which represent funds accumulated for bona fide thrift purposes and with respect to which a member bank merely reserves the right to require written notice of not less than 30 days may be classified as savings deposits within the meaning of that term as defined in the Board's Regulation Q. The Board regrets that due to the pressure of other urgent matters arising in connection with the Banking Act of 1933, it has not been able to complete its consideration of this question at an earlier date.

When Regulation Q was in process of formulation by the Federal Reserve Board, careful consideration was given to the question whether certificates of deposit with respect to which the bank merely reserves the right to require written notice of not less than 30 days might be classified as time deposits upon which interest may be paid; but, as stated in footnote 4 of the

-2-

regulation, it is the Board's interpretation of the law that interest may not be paid on such a certificate of deposit, because it is in fact payable on demand unless prior to such payment notice of not less than 30 days is actually required, and because the prohibition in the law upon payment by a member bank of any time deposit before its maturity clearly contemplates that time deposits (other than savings deposits) upon which interest is payable must have a definite maturity for at least 30 days prior to payment. Accordingly, such a certificate of deposit upon which the bank merely reserves the right to require written notice of not less than 30 days may not be classified as a time deposit within the meaning of Regulation Q.

You call attention, however, to the fact that one of the requirements of the definition of savings deposits in Regulation Q is that "the passbook or other form of receipt" evidencing such a deposit must be presented to the bank whenever a withdrawal is made, and the question arises whether a certificate of the kind described may constitute a "form of receipt" within the meaning of this requirement so that deposits represented thereby may be considered savings deposits. In this connection it is noted that you indicate that the certificates in question are in effect payable on demand upon the surrender of the certificates duly endorsed.

Section 19 of the Federal Reserve Act provides that no

-3-

time deposit may be paid before its maturity by a member bank, whereas the payment of savings deposits without requiring notice of withdrawal is under certain conditions permissible under the law. In order to carry out the intention of the statute in this connection it is believed important that neither the law nor the Board's regulation should be so interpreted as to encourage or facilitate evasions of the prohibition upon the payment of time deposits before their maturity or the prohibition upon the payment of interest on deposits payable on demand. A certificate of deposit, as that term is generally understood, is an instrument evidencing the receipt of a single amount on deposit the entire amount of which will be repaid at one time and only upon the surrender of the certificate. Savings deposits, on the other hand, are received under continuing contracts covering deposits made from time to time, from which withdrawals may be permitted from time to time, all of which are evidenced by a single form of receipt which must be presented but need not be surrendered whenever a withdrawal is made. There is thus an essential distinction between certificates of deposit and receipts for savings deposits within the commonly accepted meaning of these terms and the Board feels that the preservation of this distinction is necessary in order to carry out the purposes of the statute. Accordingly, the phrase "other form of receipt" as used in the definition of savings

-4-

deposits in the Board's Regulation Q is not to be interpreted as including a certificate of deposit which by its terms contemplates that only one deposit will be evidenced thereby and that the entire amount will be repaid upon the surrender of the certificate. The phrase in question in Regulation Q recognizes the fact that in some circumstances banks may find it desirable to issue receipts for savings deposits which are not in the usual form of savings pass books; but it is the intention of the regulation that every such receipt for savings deposits should be a contract of a continuing character evidencing deposits the amount of which may be increased or decreased from time to time without the necessity of surrendering the receipt or issuing another such receipt.

The Federal Reserve Board, accordingly, suggests that member banks take steps to exchange or substitute savings pass books or other receipts which comply with the intention of the regulation as discussed above for certificates of deposit outstanding which are subject merely to the right of the bank to require notice of not less than thirty days, in order that interest may be paid on deposits represented thereby. In view of the fact, however, that this matter has been pending before the Federal Reserve Board for a decision for several months, the Board will not object to the payment of interest on deposits represented by such outstanding certificates covering funds accumulated for bona fide

-5-

thrift purposes until such time as such exchange or substitution can be brought about in an orderly manner after reasonable notice has been given by the bank to the holders of such certificates.

Very truly yours,

(Signed) Chester Morrill.

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

April 30, 1934

Honorable J. F. T. O'Connor,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. Comptroller:

This refers to Mr. Lyons' letter of March 21, 1934, inclosing a copy of a letter received by you from National Bank Examiner _____, dated March 10, 1934, requesting rulings with respect to the proper classification of certain savings accounts for reserve purposes and for the purpose of determining whether interest may lawfully be paid thereon. Mr. Lyons requests that your office be advised with respect to the questions presented in the examiner's letter in order that a suitable reply may be made thereto.

The examiner states in his letter that certain banks in the northern section of the State of _____ have established a rule that no notice is to be required for the withdrawal of any part or all of the funds placed in their savings departments and that interest shall be paid thereon at the rate of 3 per cent. The examiner desires to be advised whether such accounts should be treated as demand deposits against which full reserves should be carried and whether the banks may lawfully pay interest on such deposits.

Hon. J. F. T. O'Connor - 2

It is the opinion of the Board that the practice of a member bank of paying its savings deposits in whole or in part without requiring notice of intended withdrawal does not necessarily affect the classification of such deposits, and that any such deposit may properly be classified as a savings deposit for the purpose of computing reserves or of determining whether interest may lawfully be paid thereon, as the case may be, so long as such deposit conforms to the requirements of a savings deposit as defined in section II of the Board's Regulation D or in section V of the Board's Regulation Q, respectively. However, it does not appear from the letter of the examiner whether the member banks in question have reserved individually the right to require notice of an intended withdrawal not less than 30 days before a withdrawal is made, as required by the Board's regulations, and, if in any case the contract between the depositor and the member bank does not reserve to such bank the legal right to require requisite notice of withdrawal, or, if such member bank may not change its practice without the consent of the other banks concerned so as to require requisite notice of withdrawal, the deposit must be treated as a demand deposit for the purpose of computing reserves and as a deposit payable on demand for the purpose of determining whether interest may lawfully be paid thereon. On the other hand, if the depositors are required, or

Hon. J. F. T. O'Connor - 3

may at any time be required, to give the requisite notice of intended withdrawal and the deposits otherwise meet the applicable requirements of the Board's regulations in regard to savings deposits, they may be treated as savings deposits for the purpose of computing reserves or of determining whether interest may be paid thereon, notwithstanding that it is the practice of the member banks to waive notice with respect to withdrawals of such deposits.

The examiner also desires information with respect to the proper classification of thrift deposits where the bank's regulations reserve to the bank the right to require notice of not less than thirty days, but make an express exception permitting the withdrawal of a specified amount of the deposit of each depositor without notice and without any limitation or restriction as to the number of withdrawals which may be made within any given period. As indicated in section V, subsection (e) of the Board's Regulation Q, interest at a rate not exceeding that prescribed in subsection (c) of that section may be paid upon deposits with respect to which notice of intended withdrawal has not actually been required or given, provided that such deposits conform to the requirements of savings deposits as defined in subsection (a) of that section. As you know, one of the essential attributes of a savings deposit is that the depositor must be required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before a withdrawal is made. However, it does not

Hon. J. F. T. O'Connor - 4

appear that the deposits in question conform to the said requirement with respect to notice of withdrawal. Since the provisions of the bank's regulations reserving to the bank the right to require notice are made inapplicable to any withdrawal up to a certain amount and permit a depositor to withdraw all or a part of such specified amount of his deposit without notice and without restriction as to the number or frequency of such withdrawals, it appears that the attempted reservation by the bank of the right to require notice is ineffective to prevent a depositor from exhausting his account by repeated withdrawals, and, in the circumstances, it is the opinion of the Board that such a deposit is in fact a deposit payable on demand and that no interest may lawfully be paid thereon. For similar reasons, it is believed that such a deposit should be classified as a demand deposit for the purpose of computing reserves thereon.

The examiner further requests to be advised as to the effect of a member bank's allowing the withdrawal either of a certain portion or of a specified percentage of a thrift deposit each 30 days without requiring notice of such withdrawal. Although payment by a member bank of a portion or percentage of a savings deposit without requiring notice of withdrawal does not affect the classification of the deposit, provided that the bank at any time prior to withdrawal may require the depositor to give written notice of such intended withdrawal not less than 30 days prior thereto, a

Hon. J. F. T. O'Connor - 5

like result does not follow in the case where the bank does not have the legal right under its contract with the depositor to require such notice. Accordingly, if a bank permits the withdrawal without notice of a specified portion or percentage of a savings deposit and does not have the legal right to require written notice of not less than 30 days with respect to such withdrawal, it is the view of the Board that the specified portion or percentage which may be so withdrawn without notice may not be classified as a savings deposit for the purpose of computing reserves or of determining whether interest may be paid thereon. However, the balance in the account over and above the specified portion or percentage which may be withdrawn without notice may be classified as a savings deposits for such purposes if the depositor is required or may be required to give the requisite notice prior to withdrawal of such balance and if the deposit otherwise meets the requirements of the Board's regulations applicable to savings deposits.

Finally, the examiner desires to be advised as to the proper classification of thrift deposits in a case where the bank permits each depositor to withdraw his deposit in full without notice, but reserves the right to require at least 30 days notice prior to the withdrawal of any such deposit. Under the provisions of section VI of the Federal Reserve Board's Regulation Q, a member bank may pay any portion or percentage of the savings deposits of

Hon. J. F. T. O'Connor - 6

any depositor without requiring notice of withdrawal, if, upon request and without requiring such notice, it shall pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement. Under this section of the regulation it is permissible for a member bank to pay any savings deposit in whole or in part, provided such deposit is a savings deposit within the meaning of the Board's Regulation Q and the bank complies with the applicable conditions of Section VI of that regulation.

In addition, if the bank reserves the legal right to require the requisite notice with respect to the withdrawal of such a deposit, an account of the kind under discussion which is a savings account within the meaning of the Board's Regulation D would remain a savings account notwithstanding the fact that the bank might permit the withdrawal without notice of funds from such account in part or in full; and reserves against such an account may properly be computed on that basis. If, however, notice of withdrawal is actually required and given, the amount which may be withdrawn pursuant to such notice must be classified as a demand deposit for reserve purposes beginning thirty days prior to the date when such deposit, under the terms of the notice, shall be payable. Of course, under subsection (e) of Section V of the

Hon. J. F. T. O'Connor - 7

Board's Regulation Q, interest at a rate not exceeding that prescribed in subsection (c) of that section may be paid upon deposits which are savings deposits within the meaning of that regulation and with respect to which notice of intended withdrawal may have been given to the bank, until the expiration of the period of such notice.

Apparently, the examiner is doubtful whether a member bank may pay the entire amount of any savings deposit without requiring notice of withdrawal. Under the provisions of section VI of Regulation Q, a member bank may pay any portion or percentage of the savings deposit of any depositor without requiring such notice if, upon request and without requiring such notice, it shall pay the same portion or percentage of the savings deposits of each other depositor which are subject to the same requirement. Under this section of the regulation, it is permissible for a member bank to pay the entire amount of any savings deposit provided the bank complies with the condition mentioned and also with the other applicable conditions of section VI of that regulation.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

263

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7881

May 1, 1934.

SUBJECT: Expense, Main Lines, Leased Wire
System, March, 1934.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7881-a and X-7881-b, covering in detail operations of the main lines, Leased Wire System, during the month of March, 1934.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the account of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,



Fiscal Agent.

Inclosures.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MARCH, 1934.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Per cent of total Bank business (*)
Boston	37,521	1,687	39,208	4.33
New York	177,184	-	177,184	19.56
Philadelphia	31,897	1,820	33,717	3.72
Cleveland	61,343	1,538	62,881	6.94
Richmond	62,760	1,591	64,351	7.10
Atlanta	57,790	1,855	59,645	6.59
Chicago	104,965	2,500	107,465	11.86
St. Louis	70,604	1,876	72,480	8.00
Minneapolis	39,786	1,595	41,381	4.57
Kansas City	81,334	1,639	82,973	9.16
Dallas	63,598	3,683	67,281	7.43
San Francisco	93,862	3,370	97,232	10.74
Total	882,644	23,154	905,798	100.00
F. R. Board business			386,014	1,291,812
Reimbursable business Incoming & Outgoing				<u>762,406</u>
Total words transmitted over main lines				2,054,218

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7881-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, MARCH, 1934.

X-7881-b

Name of Bank	Operators' salaries	Operators' overtime	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$5.00	\$ -	\$265.00	\$664.88	\$265.00	\$399.88
New York	1,279.14	4.00	-	1,283.14	3,003.46	1,283.14	1,720.32
Philadelphia	225.00	-	-	225.00	571.21	225.00	346.21
Cleveland	306.66	-	-	306.66	1,065.64	306.66	758.98
Richmond	191.00	-	230.00 (&)	421.00	1,090.21	421.00	669.21
Atlanta	270.00	-	-	270.00	1,011.90	270.00	741.90
Chicago	4,548.59 (#)	-	-	4,548.59	1,821.12	4,548.59	2,727.47 (*)
St. Louis	195.00	-	-	195.00	1,228.41	195.00	1,033.41
Minneapolis	200.00	-	-	200.00	701.73	200.00	501.73
Kansas City	287.00	-	-	287.00	1,406.53	287.00	1,119.53
Dallas	251.00	-	-	251.00	1,140.89	251.00	889.89
San Francisco	380.00	-	-	380.00	1,649.14	380.00	1,269.14
Federal Reserve Board	-	-	15,785.06	15,785.06	-	-	-
Total	\$8,393.39	\$ 9.00	\$16,015.06	\$24,417.45	\$15,355.12	\$8,632.39	\$9,450.20
Less Reimbursable Charges:				<u>9,062.33</u>			<u>2,727.47 (a)</u>
				\$15,355.12			\$6,722.73

- (&) Main line rental, Richmond-Washington
 (#) Includes salaries of Washington operators
 (*) Credit
 (a) Amount reimbursable to Chicago

265

INTERPRETATION OF BANKING ACT OF 1933

366

(Copies to be sent to all Federal Reserve Banks.)

May 1, 1934.

_____,
_____,
_____,
_____,

Dear Sir:

This is in reply to your letter of April 23, 1934, addressed to the Governor of the Federal Reserve Board, in which you request the Board's ruling as to whether an affiliation exists by reason of the following facts which, in order to avoid misstatement, are quoted from your letter.

"The shareholders of a member bank control a business corporation chartered under state laws. At the immediate preceding election of directors of the member bank, such shareholders cast less than fifty per centum of the total number of votes cast, computed on the basis of the bank shares which they actually owned. However, one of the shareholders of the member bank who also owned shares in the corporation, cast a number of votes by proxy for bank shareholders who had no interest whatsoever in the corporation. The shares thus voted by proxy, added to the number of votes cast by the bank shareholders who control the business corporation, make a total amount of more than fifty per centum of the votes cast for such directors."

After stating these facts you ask whether this proxy vote should be considered as being "controlled by the shareholders of the member bank who also control the business corporation so as to make the corporation an affiliate of the member bank under the provisions of section 2(b) (2) of the

Banking Act of 1933."

In determining whether the business corporation is an affiliate of the member bank it is necessary to determine whether the persons who hold control of the business corporation also own or control more than 50 per centum of the number of shares voted for the election of directors of the bank at the preceding election but the significant issue in resolving the question is whether such ownership or control exists at the time of the determination, not whether it did exist at the time of the last election. Whether the person who voted the shares of stock referred to at the last election of directors under a proxy then in effect now controls those shares is a question of fact and a question upon which the Board can give no ruling unless all of the pertinent facts of the specific case are presented to it. It is perhaps sufficient for your purposes, however, to state that while the Board recognizes that the voting of these shares under a proxy at the last election may be a factor to be considered, it is not determinative of the existence of present control and that even if control had existed at the time the shares were voted the termination of the proxy either by its terms or by revocation might well have been a factor sufficiently important to have ended the preexisting "control" and the affiliation which resulted therefrom.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7883

May 2, 1934.

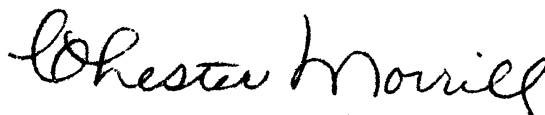
SUBJECT: Use of the Franking Privilege by Federal
Reserve Banks.

Dear Sir:

There is inclosed a copy of a letter which the Board is sending today to the Governor of the Federal Reserve Bank of Minneapolis with regard to the use of the franking privilege in connection with fiscal agency operations.

If your bank is using the franking privilege to any extent, the instructions contained in the attached letter should be followed and the Federal Reserve Board advised accordingly.

Very truly yours,

Chester Morrill,
Secretary.

Inclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT MINNEAPOLIS.

May 2, 1934.

Mr. W. B. Geery, Governor,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Governor Geery:

It has been brought to the attention of the Federal Reserve Board that the Federal Reserve Bank of Minneapolis is using the franking privilege for mailing circulars and other matter in connection with its operations as fiscal agents of the United States.

The Post Office Department has ruled that the Federal reserve banks may not use the franking privilege as fiscal agents of the United States or otherwise, and in this connection the Treasury Department has advised one of the Federal reserve banks as follows:

"During the War a vast amount of matter connected with the various issues was mailed from the Federal Reserve banks under the frank of the Treasury Department. This was permitted by the Post Office Department because of an arrangement whereby the actual mailing at each Federal Reserve bank was done by a Treasury Department employee. Later, the use of the franking privilege by the Federal Reserve banks as fiscal agents of the United States was the subject of much discussion with the Post Office Department. That Department repeatedly ruled that the Federal Reserve banks are not authorized to use the franking privilege, whether or not the bank is acting as a bank or as a fiscal agent in so doing, and the Secretary finally decided, after giving the matter serious consideration, that the Treasury should not press the question of securing the franking privilege for mail matter originating at the Federal Reserve Banks, whether or not related to operations performed by the banks as fiscal agents or depositories of the United States. Accordingly, on December 13, 1920 (Memorandum No. 74), the Federal Reserve banks were advised that mail matter originating at the banks must not be forwarded under the franking privilege without payment of postage. Postage expenses arising in connection with new issues of public debt securities may be reimbursed Federal Reserve banks as fiscal agents of the United States from the appropriation 'Expenses of Loans, Act of September 24, 1917, as Amended and Extended.'

"I am advised that at the present time only three Federal Reserve banks use the franking privilege for disseminating Treasury circulars - a survival, in part, of arrangements in effect during the War period. The question of extending this privilege to other banks has been raised a number of times, and on each occasion it has been

Mr. W. B. Geery - 2 -

X-7883-a

"decided that the Treasury Department should not seek any extension of the franking privilege beyond that now accorded certain Federal Reserve banks."

A copy of memorandum No. 74 referred to above is attached. In view of the instructions of the Treasury Department, your bank should discontinue immediately the use of the franking privilege and should arrange to include in the expenses for which reimbursement is received from the Treasury Department any additional expense incurred for postage in connection with reimbursable fiscal agency operations. It will be appreciated if you will advise the Board of the action taken by your bank in this matter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

Treasury Department
Office of the Secretary
Commissioner of the Public Debt
Washington, D. C.

271

December 13, 1920.

MEMORANDUM NO. 74.

Information for Federal Reserve Banks
Fiscal Agents of the United States.

DISCONTINUANCE OF FRANKING PRIVILEGE.

The continuance of the franking privilege to Federal Reserve Banks as Fiscal Agents of the United States has been the subject of discussion with the Post Office Department, as a result of which the Secretary has advised the Postmaster General that after giving the matter serious consideration he has reached the conclusion that the Treasury should not press the question of securing the franking privilege for mail matter originating at the Federal Reserve Banks, whether or not related to operations performed by the Banks as Fiscal Agents or Depositaries of the United States. Accordingly mail matter originating at the Federal Reserve Banks must not be forwarded under the franking privilege without payment of postage after December 31, 1920. This prohibition does not apply to mail matter originating in the Savings Division.

The Secretary has instructed the Commissioner of the Public Debt to consult with officials of the Post Office Department, with a view to establishing special procedure, which, if possible, will eliminate the actual use of postage stamps by Federal Reserve Banks. It is probable that the Post Office Department will permit surcharges on envelopes and other mail matter which would indicate postage paid, the Postal Service being reimbursed at the close of each day's business for that day's mail charges. Detailed information on this subject will be furnished later.

By direction of the Secretary.

S. P. GILBERT, Jr.
Assistant Secretary of the Treasury.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 30, 1934.

_____,
_____,
_____.

Dear Sir:

The Federal Reserve Board has given careful consideration to your application under the Clayton Act for a permit to be at the same time a member of the firm of _____ Company, _____, and a director of the _____ National Bank of _____.

The Federal Reserve Board has reached the conclusion that it was the purpose of Section 8A of the Clayton Act to prevent the undue use of bank credit for the carrying of and trading in securities, and that the method by which the section was intended to accomplish this purpose was by terminating relationships involving the service of an officer, director, employee, or partner of an organization making loans secured by stock or bond collateral as a director, officer or employee of a national bank or other bank or trust company organized or operating under the laws of the United States. Since margin accounts, and the brokers' loans by which they are financed, constitute one of the principal ways in which credit is used for carrying or trading in securities, it appears that the service of a director, officer, employee or partner of a stock exchange firm carrying such margin accounts as a

director, officer or employee of a national bank is one of the principal types of relationships at which the provisions of Section 8A were directed.

It appears that the carrying of such margin accounts constitutes a substantial portion of the business of _____ Company, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would be not incompatible with the public interest as declared by the Congress to grant your application.

It may be noted that the Federal Reserve Board would not be authorized to grant your application in any event unless _____ Company may properly be considered as a firm of private bankers within the meaning of the provisions of Section 8 of the Clayton Act. The Board has not attempted to pass definitely upon this phase of the matter but on the basis of the information which has been submitted it does not appear that _____ Company may properly be considered as a firm of private bankers within the meaning of those provisions.

In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 28, 1934.

NEWTON - SAN FRANCISCO

Retel March 29 in regard to authority of member banks to purchase corporate stocks solely upon order and for account of customers. Board concurs in Comptroller's opinion that term QUOTE investment securities UNQUOTE in paragraph seventh of Section 5136 of Revised Statutes may not be properly interpreted as including corporate stocks, and that said section prohibits national banks from purchasing stocks upon order and for account of customers, and it is view of Board that such restrictions are made applicable to State member banks by Section 9 of Federal Reserve Act. Although restrictions of Section 5136 as to dealing in investment securities do not take effect until June 16, 1934, it is Board's opinion that restrictions as to purchase of stock for own account or for account of others became effective June 16, 1933, the date of approval of Banking Act of 1933.

(Signed) Chester Morrill

MORRILL

FEDERAL RESERVE BOARD

275

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7887

May 5, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

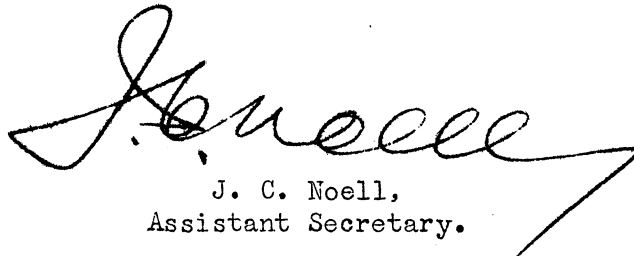
In connection with telegraphic transactions in Govern-
ment securities between Federal reserve banks, the following
code words have been designated to cover new issues of Trea-
sury Bills:

"NOXLIVE" - Treasury Bills to be dated May 9,
1934, and to mature August 8, 1934.

"NOXLOOK" - Treasury Bills to be dated May 9,
1934, and to mature November 7, 1934.

These words should be inserted in the Federal Reserve
Telegraph Code book, following the supplemental code word
"NOXLEW" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

276

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7888

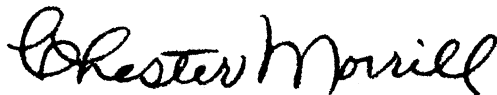
May 7, 1934.

SUBJECT: Respective Powers of State Authorities
and the Secretary of the Treasury in
the Supervision of State Member Banks.

Dear Sir:

There is inclosed for your information a copy of a letter written by the Secretary of the Treasury with reference to the respective powers of the State authorities and the Secretary of the Treasury in the supervision of State member banks in view of the President's Proclamation of March 6, 1933, declaring a holiday to be observed by all banking institutions in the United States, and of the subsequent Executive Orders and Proclamations relating thereto.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

C O P Y

277
X-7888-a

April 26, 1934.

Dear Sir:

The Federal Reserve Board has directed my attention to the last paragraph of your letter of February 14, 1934 to the Federal Reserve Agent at the Federal Reserve Bank of _____, relating to the _____ Trust Company of _____, _____, which is a member of the Federal Reserve System and has been licensed by the Secretary of the Treasury to perform its usual banking functions under the Executive Order of March 10, 1933. The last paragraph of your letter reads:

"In connection with your question as to what steps I have taken to correct this matter, may I point out to you that no information has reached me to the effect that the Secretary of the Treasury has as yet returned to the State supervisors the supervision of state member banks, the President's Proclamation of December 31, 1933, having been limited to a return to State Supervisors of control over state non-member banks."

The President's Proclamation of March 6, 1933 declared a national bank holiday to be observed by all banking institutions in the United States, including national banking associations, state banks which were members of the Federal Reserve System, and state banks which were not members of the Federal Reserve System. During this holiday, banking institutions were prohibited from exercising

- 2 -

their normal banking functions except to the extent permitted by the Secretary of the Treasury, with the approval of the President. This bank holiday was extended by the President's Proclamation of March 9, 1933.

The Executive Order of March 10, 1933 authorized the Secretary of the Treasury to permit any member bank of the Federal Reserve System and any other banking institution organized under the laws of the United States to perform any or all of their usual banking functions. Said Executive Order of March 10, 1933 also authorized the appropriate authorities having supervision of nonmember state banks to permit such banks to perform any or all of their usual banking functions.

By Executive Order of March 18, 1933, state authorities having supervision of state member banks which had not been licensed by the Secretary of the Treasury to resume their usual banking functions, were authorized to appoint appropriate officials, under the laws of the respective states, to conserve the assets of such banks pending their liquidation under the state law. Said Executive Order of March 18, 1933 expressly forbade any member bank to reopen for the performance of its usual and normal functions, except under license from the Secretary of the Treasury issued pursuant to the Executive Order of March 10, 1933.

The power given to the Secretary of the Treasury to license state member banks to resume their normal functions is not deemed, however, to place the supervision of such licensed member banks under

- 3 -

the jurisdiction of the Secretary of the Treasury, except in so far as such banks may in their operations violate the express terms of the licenses granted by the Secretary of the Treasury. In all other respects state member banks which have secured licenses from the Secretary of the Treasury are subject to the supervision of the state authorities and the Federal Reserve Board to the same extent as they were prior to the Proclamation of March 6, 1933.

Similarly, the liquidation and winding up of state member banks which have been taken over by state authorities in accordance with the Executive Order of March 18, 1933, are under the supervision of such state authorities except that such banks may not reopen for the performance of their usual and normal functions except under license of the Secretary of the Treasury.

State member banks which have neither been licensed to reopen for the performance of their usual and normal functions by the Secretary of the Treasury, nor taken over for liquidation by the state banking authorities, remain subject to the Proclamation of March 6, 1933, as extended by the Proclamation of March 9, 1933, and to the Regulations issued by the Secretary of the Treasury under authority of said Proclamations.

The Proclamation of December 30, 1933 removing nonmember state banks from the scope of the Proclamations of March 6, 1933 and March 9, 1933, and the Executive Order of March 10, 1933, and all Orders and Regulations pursuant thereto, was designed to supplement

- 4 -

the Executive Order of March 10, 1933, and to vest in the state authorities the duties with respect to nonmember state banks which had been delegated to them in said Executive Order. It was not applicable to state member banks, since the Secretary of the Treasury had retained in the Executive Order of March 10, 1933, and still retains the power to permit the performance by such banks of all or any part of their normal banking functions.

All banking institutions, including state member banks and state nonmember banks, remain subject to the prohibitions with respect to the hoarding and payment of gold and foreign exchange transactions contained in the Executive Order of March 10, 1933, as amended, the Proclamation of December 30, 1933, as amended, and the Executive Order of January 15, 1934.

It is hoped that this will remove any doubt which may exist in your mind as to the respective duties of the state authorities and the Secretary of the Treasury in connection with state member banks.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

_____,
Commissioner of Banks,
_____,
_____, _____

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7889

May 7, 1934.

SUBJECT: Possible Criminal Violations Resulting
from Sale or Exchange of Securities.

Dear Sir:

It has recently come to the attention of the Federal Reserve Board that the Attorney General of the United States has advised the office of the Comptroller of the Currency that, in the future, all transactions in which a national bank sells bonds at their market value, which is less than the figure at which they were carried on the books of the bank, and purchases with the proceeds realized thereby other bonds which are set up on the books of the bank at a figure in excess of their market value, should be reported to the Department of Justice for possible criminal prosecution, on the theory that the transactions may involve false entries made with the intent to deceive the bank examiners and the Comptroller and to defraud the public in general. The Attorney General advised further that, even though the transactions are regarded as an exchange, a report of such matters should be made to his Department, since the new bonds are entered on the books of the bank at an amount in excess of their known market value. The Attorney General requested that the Comptroller advise his examiners and the officials of the national banks generally of the views entertained by the Department of Justice with

-2-

regard to transactions of this kind.

In the circumstances, you are requested to advise the examiners for your Federal reserve bank and the officials of the State member banks in your district of the position taken by the Attorney General with regard to transactions of the kind described above and to report to the Board and the local United States Attorney in the usual manner all cases hereafter coming to your attention in which similar transactions have been consummated involving such State member banks. In this connection, the Attorney General has advised the Comptroller of the Currency that it is not necessary to make a search of the Comptroller's records for previous cases of this kind, and accordingly, it will not be necessary for you to make a search of the records of your bank for such cases.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

283

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7890

May 8, 1934.

SUBJECT: Requirements of Regulation Q In
Respect to Savings Deposits.

Dear Sir:

In its letter of April 30, 1934 (X-7878), the Board inclosed, for your confidential information only, a copy of a letter which it had addressed to the Comptroller of the Currency in response to a request from him for rules which might be given to examiners as a guide to them in determining whether banks are complying with the requirement of Regulation Q that savings deposits consist of funds accumulated for bona fide thrift purposes. As stated in the letter of transmittal, the copy of the letter to the Comptroller was submitted to the Federal reserve bank as an aid to it in the performance of its duties in connection with examinations of member banks.

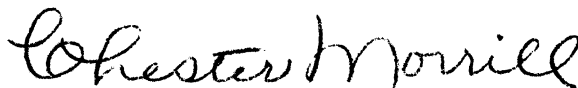
In view of the fact that repeated requests have been made to the Board for a statement as to the practical interpretation to be placed upon the phrase "funds accumulated for bona fide thrift purposes", and, in order to be as helpful as may be possible to the member banks, it is believed that certain of the principles set forth in the Board's letter to the Comptroller should be made available to

-2-

such banks to assist them in classifying deposits which may constitute savings deposits. Accordingly, there is inclosed herewith a statement in regard to the classification of deposits as savings deposits within the meaning of Regulation Q, and the views expressed in the inclosed statement may be communicated to member banks and to others in such manner as may appear to be desirable.

Except to the extent indicated by the inclosed statement, it is not intended that the views expressed by the Board in its letter to the Comptroller (X-7878-a) should be communicated to member banks or to others.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO CHAIRMEN OF ALL F. R. BANKS.

Classification of Deposits
as
Savings Deposits
under
Regulation Q.

There have been presented to the Federal Reserve Board numerous inquiries regarding the meaning of the word "thrift" as used in the definition of savings deposits which is contained in section V of the Federal Reserve Board's Regulation Q. As the Board has heretofore stated, it believes that the question whether deposits may be considered funds accumulated for bona fide thrift purposes so as to constitute savings deposits within the meaning of the regulation is one upon which no general rule can be prescribed and each case must necessarily be determined upon the basis of its particular facts. However, in view of the repeated requests for a statement as to the practical interpretation to be placed upon the phrase "funds accumulated for bona fide thrift purposes" as used in the regulation, and in order to be as helpful as may be possible to the member banks in this connection, the Federal Reserve Board desires to state herein some of the considerations which it feels may properly enter into a determination of the question whether deposits constitute savings deposits within the meaning of Regulation Q.

It will be observed that Regulation Q relates to three classes of deposits: deposits payable on demand, time deposits, and savings deposits. The payment of interest on deposits payable on demand, directly or indirectly by any device whatsoever, is prohibited. Interest may be paid in accordance with the regulation on time deposits, but no time deposit may be paid before its maturity. Interest may be

2

paid in accordance with the regulation on savings deposits and savings deposits may, under certain conditions, be paid without requiring notice of withdrawal. The primary purpose of the requirement that savings deposits consist of funds accumulated for bona fide thrift purposes is to prevent the payment of interest on funds which should properly be classified as deposits payable on demand and the payment before maturity of funds which should properly be classified as time deposits. Accordingly, an important consideration in undertaking to determine what are funds accumulated for bona fide thrift purposes is to guard against the use of savings accounts as a means of evading the prohibition against the payment of interest on deposits payable on demand or of the prohibition upon the payment of a time deposit before its maturity, and, in any case in which a member bank is doubtful as to whether an evasion of either of these prohibitions is involved or as to whether funds may properly be classified as savings deposits, it should not classify the funds in such manner unless, after diligent inquiry into the nature of the deposit, it is satisfied in the light of the information developed that no evasion of either such prohibition is involved and that the classification of the funds as savings deposits is proper.

Generally speaking and without intending to exclude other classes of deposits, the Federal Reserve Board feels that deposits which consist of funds in relatively small amounts which are being or have been accumulated by persons of limited financial means may be considered presumptively by the banks to be funds accumulated for bona fide thrift

3

purposes. Likewise it is believed that the same presumption should usually obtain with respect to funds which are being or have been accumulated in order to provide for old age or for contingencies which may not be foreseen, such as sickness or accident, and also with respect to funds which are being or have been accumulated in order to provide for anticipated expenditures such as, for example, the purchase of homes, furnishings, etc., and Christmas or vacation expenses, as well as for anticipated obligations falling due within a reasonable time, such as tax liabilities or insurance premiums.

It would seem that deposits of corporations in most cases probably would not consist of funds accumulated for bona fide thrift purposes; but here again no general rule can be laid down. Funds of a business enterprise which are temporarily idle such as surplus funds or funds commonly known as reserve funds would not ordinarily seem to constitute funds accumulated for bona fide thrift purposes. With respect to firms and individuals engaged in business, the nature of the business may be important in determining this question. Funds deposited by one bank in another would not, in the opinion of the Board, constitute funds accumulated for bona fide thrift purposes. In some instances the amount of the funds on deposit may be a factor for consideration in determining the propriety of their classification as savings deposits.

None of the considerations mentioned above is to be considered as conclusive of the question whether funds may be regarded as accumulated for bona fide thrift purposes or as savings deposits and, as

indicated, each case must be determined in the light of its particular circumstances. The Federal Reserve Board feels that questions as to whether deposits may be regarded as funds accumulated for bona fide thrift purposes should be considered by the member banks in the exercise of their best judgment and in the light of the provisions of the law and the regulation. It would not be practicable for the Federal Reserve Board to undertake to determine such questions as they may arise in individual cases with member banks when deposits are offered to them. It is hoped, however, that the general statements above set forth may be indicative of the classes of deposits which in proper circumstances may constitute savings deposits and that they may be of assistance to the member banks in this connection.

As indicated in the regulation, if the circumstances with respect to the deposit are such as to raise a question as to whether it is properly classified as a savings deposit, the bank must be prepared to show clearly that it is a deposit consisting of funds accumulated for bona fide thrift purposes and that it otherwise complies with the definition of savings deposits set forth in the regulation.

X-7891

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

May 11, 1934.

Mr. J. G. Fry,
Assistant Federal Reserve Agent,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Fry:

This refers to your letter of April 25, 1934, with which you inclosed an opinion of your Counsel with reference to a question arising under section 23A of the Federal Reserve Act. A State member bank on June 16, 1933, had loans to and investments in its affiliates in excess of twenty per cent of its capital and surplus and, subsequent to that date, it extended credit to one of its affiliates by the discount of a note which was eligible for rediscount at the Federal reserve bank. The question arises whether this action constituted a violation of section 23A of the Federal Reserve Act.

Section 23A consists of three paragraphs. Under the first paragraph, loans and extensions of credit by a member bank to any of its affiliates, purchases under repurchase agreements from any such affiliates, investments in stock or obligations of any such affiliates and advances upon the security of stock or obligations of any such affiliates are prohibited, if the aggregate amount thereof outstanding will exceed, in the case of any one affiliate, ten per cent of the capital stock and surplus of such

member bank or, in the case of all its affiliates, twenty per cent of the capital stock and surplus of such bank. The second paragraph provides in part as follows:

"Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 per centum more than the amount of the loan or extension of credit, or of at least 10 per centum more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof: Provided, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, the Federal land banks, the Federal Home Loan Banks, or the Home Owners' Loan Corporation, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks. * * *"

In the third paragraph, certain classes of affiliates are excepted from the provisions of the section.

It is clear that loans or extensions of credit to an affiliate secured by paper which is eligible for rediscount or for purchase by Federal reserve banks are not subject to the requirements of the second paragraph of section 23A with regard to the form and amounts of collateral security, but it is also manifest that loans or extensions of credit secured by such paper are not excepted from the limitations of the first paragraph of this section unless the word "paragraph" in the above quoted provision may be interpreted in a sense other than that in which it is ordinarily used. It is an established rule of statutory construction that, in the absence of ambiguity, words in a statute are to be read in the natural and

X-7891

-3-

ordinary meaning commonly given to them. Moreover, it is to be observed that in the third paragraph of section 23A, in excepting certain classes of affiliates from all of the provisions of the section, the word "section" is used. In the circumstances it is not believed that it can be assumed that the word "paragraph" in the second paragraph of the section was inadvertently used or that it was intended to have the same meaning as the word "section" in the third paragraph. Accordingly, the Federal Reserve Board agrees with the opinion of your Counsel that a loan or extension of credit secured by paper eligible for rediscount or purchase at a Federal reserve bank is not excepted from the limitations of the first paragraph of section 23A of the Federal Reserve Act on the amount of such loans which may be made and that a member bank which already has outstanding loans and extensions of credit to its affiliates and investments in the stock or obligations of such affiliates in an amount up to twenty per cent of its capital stock and surplus (the limit prescribed by that paragraph) may not lawfully make an additional loan to an affiliate even though it is secured by paper eligible for rediscount or purchase at a Federal reserve bank.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

X-7892

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 12, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

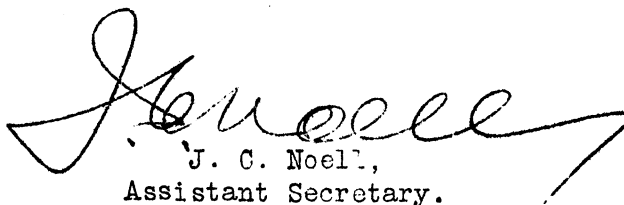
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXLORE" - Treasury Bills to be dated May 16, 1934, and to mature August 15, 1934.

"NOXLUMP" - Treasury Bills to be dated May 16, 1934, and to mature November 14, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLOOK" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

INTERPREATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

May 8, 1934

Mr. W. S. Johns,
Acting Governor,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Johns:

Receipt is acknowledged of your letter of April 30, 1934, in which you request to be advised whether, in view of the provisions of section VII of Regulation M, it is necessary for a Federal reserve bank to obtain the approval of the Federal Reserve Board to purchase or sell debentures of Federal Intermediate Credit Banks when the transaction is not one for the purpose of affording relief in a situation involving specific banking institutions in its district.

The question whether the Board's approval is necessary under paragraph 5 of section VII of Regulation M with respect to the purchase or sale of debentures of Federal Intermediate Credit Banks by a Federal reserve bank should be determined by the circumstances existing at the time a particular transaction takes place and will depend upon the amount involved, general credit conditions, the purpose of the transaction and other factors. The Federal Reserve Board will offer no objection to such a purchase or sale by a Federal reserve bank in reasonable amounts, although the approval of the Federal Reserve Board is not first obtained, if the transaction is one which arises in the ordinary course of business, which is not engaged in for the purpose of affecting general credit conditions,

Mr. W. S. Johns - 2.

and which may not have a material effect upon general credit conditions. Attention is invited to the fact that all such transactions, whether or not the Board's approval is required, must be reported daily to the Federal Reserve Board under the requirement of paragraph 1 of section VII of Regulation M.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

GBV/sad

C O P Y

X-7894

May 14, 1934.

CURTISS BOSTON	WILLIAMS CLEVELAND	STEVENS CHICAGO	McCLURE KANSAS CITY
CASE NEW YORK	HOXTON RICHMOND	WOOD ST. LOUIS	WALSH DALLAS
AUSTIN PHILADELPHIA	NEWTON ATLANTA	PEYTON MINNEAPOLIS	NEWTON SAN FRANCISCO

Trans No. 1996

Referring Board's telegram April 28, 1934, to Newton, San Francisco, (X-7885) re authority of member banks to purchase corporate stocks solely upon order and for account of customers, Federal Reserve Board has reconsidered question and is of opinion that there is no prohibition in the Federal statutes against banks buying or selling corporate stocks solely upon order and for account of customers. You will understand that Board's ruling is applicable to State member banks only and you are authorized to advise them accordingly.

(Signed) Chester Morrill

MORRILL

FEDERAL RESERVE BOARD

296

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7895

May 14, 1934.

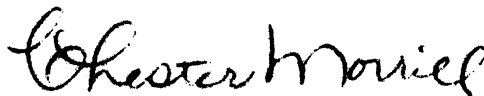
SUBJECT: Participation by Federal Reserve Banks In
Account Opened by Federal Reserve Bank of
New York for Banco Central de Guatemala.

Dear Sir:

There is inclosed herewith a copy of a letter addressed by the Board to Mr. J. E. Crane, Deputy Governor of the Federal Reserve Bank of New York, advising of approval by the Board of the action of the board of directors of the bank in authorizing the officers to open and maintain an account on the books of the bank in the name of the Banco Central de Guatemala.

As stated in the letter to Mr. Crane, the Board approves of the acceptance by your bank, should it desire to do so, of participation in the account if and when established by the New York bank.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

C O P Y

X-7895-a

May 14, 1934.

Mr. J. E. Crane,
Deputy Governor,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Crane:

In accordance with the request contained in your letter of May 11, 1934, the Federal Reserve Board approves the action of your directors in authorizing the officers of the Federal Reserve Bank of New York to open and maintain an account on the books of the bank in the name of the Banco Central de Guatemala and to carry out operations in this market for that bank along substantially the same general lines and subject to substantially the same terms and conditions as for other foreign central banks having accounts with you.

It is noted that the action of your directors restricts the relations to be established with the Banco Central de Guatemala to the opening of a one-way account and it is requested that you furnish the Board with a copy of your letter to the Banco Central de Guatemala setting forth the terms and conditions upon which the account with that institution will be opened and maintained, together with a copy of the bank's letter of acceptance of the conditions.

Your letter states that if the opening of the account is approved your bank will offer a participation in the account to the other Federal reserve banks. The Federal Reserve Board approves the participation in the

Mr. J. E. Crane - 2 -

account by any of the other Federal reserve banks which may desire to do so, and letters are being addressed today to the chairmen of the banks advising them accordingly.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

K-7896

WASHINGTON

May 19, 1934.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Holiday during June, 1934.

Dear Sir:

The Federal Reserve Board is advised that on Monday, June 4, in observance of the birthday of Jefferson Davis and Confederate Memorial Day, which falls on Sunday, the following Federal reserve banks and branches will be closed:

Richmond

Louisville

Memphis

Atlanta

New Orleans

Dallas

Birmingham

El Paso

Nashville

Houston

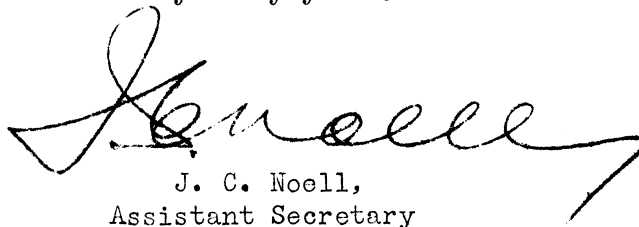
Jacksonville

San Antonio

On June 4, the offices affected will not participate in either the transit or Federal reserve note clearing through the Gold Settlement Fund. Please include transit clearing credits for the offices concerned with your credits for June 5. No debits covering shipments of Federal reserve notes for account of the head offices named should be included in your note clearing wire of June 4.

Please notify branches.

Very truly yours,



J. C. Noell,
Assistant Secretary

TO GOVERNORS OF ALL F. R. BANKS

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7897

May 21, 1934.

SUBJECT: Code Words Covering New Issues
of Treasury Bills.

Dear Sir:

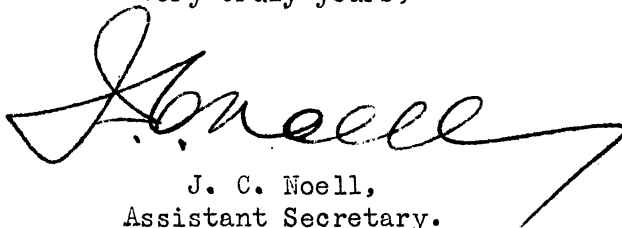
In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code words have been designated to cover new issues of Treasury Bills:

"NOXLUND" - Treasury Bills to be dated May 23,
1934, and to mature August 22, 1934.

"NOXLUPE" - Treasury Bills to be dated May 23,
1934, and to mature November 21, 1934.

These words should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLUMP" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7899

May 25, 1934.

SUBJECT: Expense, Main Lines, Leased Wire
System, April, 1934.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7899-a and X-7899-b, covering in detail operations of the main lines, Leased Wire System, during the month of April, 1934.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the ~~account~~ of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

You will note on the attached statement X-7899-b that a new column "Retirement Contributions" has been added, but that the only item entered thereunder is for Chicago, no other bank having reported any amount therefor. We have been advised by Mr. Rounds, Chairman of the Retirement Committee, that the question of charging to the Leased Wire Expense the banks' contributions to the Retirement System in connection with salaries paid to telegraph operators was discussed at the meeting of the Board of Trustees held recently in Chicago, and that it was informally agreed that these contributions should be charged as part of the leased wire expense. Therefore, it is assumed that your bank will include in your next report to the Board such payments for the months of March and April, as well as for the current month.

Very truly yours,



Fiscal Agent.

Inclosures.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF APRIL, 1934.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Per cent of total Bank business (*)
Boston	31,934	1,441	33,375	3.92
New York	161,169	-	161,169	18.93
Philadelphia	31,757	1,739	33,496	3.93
Cleveland	54,085	1,503	55,588	6.53
Richmond	54,150	1,678	55,828	6.56
Atlanta	48,187	1,531	49,718	5.84
Chicago	96,932	2,170	99,102	11.64
St. Louis	65,587	1,788	67,375	7.91
Minneapolis	35,929	1,512	37,441	4.40
Kansas City	104,320	1,537	105,857	12.43
Dallas	57,407	2,954	60,361	7.09
San Francisco	88,609	3,499	92,108	10.82
Total	830,066	21,352	851,418	100.00

F. R. Board business	351,759	1,203,177
Reimbursable business Incoming & Outgoing		<u>850,705</u>
Total words transmitted over main lines		2,053,882

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7899-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, APRIL, 1934.

X-7899-b

Name of Bank	Operators' salaries	Retirement Contributions	Operators' over-time	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$ -	\$5.00	\$ -	\$265.00	\$566.57	\$265.00	\$301.57
New York	1,345.80	-	4.00	-	1,349.80	2,735.99	1,349.80	1,386.19
Philadelphia	225.00	-	-	-	225.00	568.01	225.00	343.01
Cleveland	306.66	-	-	-	306.66	943.80	306.66	637.14
Richmond	190.00	-	-	230.00 (&)	420.00	948.13	420.00	528.13
Atlanta	270.00	-	-	-	270.00	844.07	270.00	574.07
Chicago	4,325.60(#)	372.24(b)	-	-	4,697.84	1,682.35	4,697.84	3,015.49(*)
St. Louis	195.00	-	.75	-	195.75	1,143.25	195.75	947.50
Minneapolis	221.99	-	-	-	221.99	635.94	221.99	413.95
Kansas City	287.00	-	-	-	287.00	1,796.53	287.00	1,509.53
Dallas	251.00	-	-	-	251.00	1,024.73	251.00	773.73
San Francisco	380.00	-	-	-	380.00	1,563.84	380.00	1,183.84
Federal Reserve Bd.	-	-	-	15,802.29	15,802.29	-	-	-
Total	\$8,258.05	\$372.24	\$9.75	\$16,032.29	\$24,672.33	\$14,453.21	\$8,870.04	\$8,598.66

Less Reimbursable Charges:

10,219.12
\$14,453.21

3,015.49(a)
\$5,583.17

(&) Main line rental, Richmond-Washington

(#) Includes salaries of Washington operators

(*) Credit

(a) Amount reimbursable to Chicago

(b) 9% of operators' salaries for month of March

FEDERAL RESERVE BOARD

304

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7900

May 24, 1934

Subject: Salaries of Officers of Federal
reserve banks.

Dear Sir:

There is attached hereto, for your information,
a copy of a letter addressed by the Board today to
Congressman Wright Patman in response to his request
for a list of the salaries of officials of certain
Federal reserve banks.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO THE CHAIRMEN OF ALL F. R. BANKS.

X-7900-a

May 24, 1934

Honorable Wright Patman,
House of Representatives,
Washington, D. C.

My dear Mr. Patman:

In response to your telephone request for a list of salaries of officials of certain Reserve Banks, I beg to hand you a copy of the last published report of the Board which gives information as to salaries of the two highest officers of each Reserve Bank and the total salaries paid officials of each Reserve Bank.

I beg to advise that such salaries are paid entirely by the Reserve Banks and that the Board feels that any further information should be furnished at the request of Congress, or an appropriate committee of Congress. This is in accordance with the previous attitude of the Board and the System. We will be glad to comply with any such Congressional request.

With my regards, I am

Sincerely yours,

Governor.

B-C

FEDERAL RESERVE BOARD

306

WASHINGTON

X-7901

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

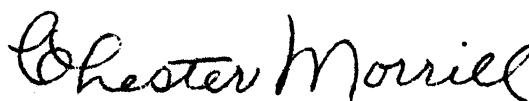
May 25, 1934

Dear Sir:

The Board recently considered applications of a member bank under section 32 of the Banking Act of 1933 for permission to act as correspondent bank for certain dealers in securities, in order that the member bank might participate in a syndicate which was being formed to bid for an issue of bonds of a State.

After full consideration of the questions of policy involved, the Board decided to issue permits authorizing the member bank to act as correspondent bank for the dealers in question, in connection with dealing in and/or underwriting the following types of securities: obligations of the United States, general obligations of any State or of any political subdivision thereof, obligations issued under the authority of the Federal Farm Loan Act, obligations issued by the Federal Home Loan Banks, and/or obligations issued by the Home Owners Loan Corporation. These are the securities specifically excepted in section 5136 of the Revised Statutes from the restrictions upon dealing in or underwriting securities.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

May 22, 1934.

_____,
_____,
_____.

Your wire asking QUOTE is a national bank owning all shares of a securities corporation and carrying same as a book asset required to divorce itself from corporation under section twenty of banking act if corporation is doing nothing except liquidating its assets. UNQUOTE. Board is of opinion that section twenty will not require divorcement of securities company which shall have been placed in formal liquidation and which shall transact no business except such as may be incidental to liquidation of its affairs.

(Signed) Chester Morrill
Chester Morrill, Secretary,
Federal Reserve Board.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7904

June 1, 1934.

CONFIDENTIAL

SUBJECT: Currency Quotations.

Dear Sir:

The State and Treasury Departments have taken up with the Board the question of quotations of "Manchukuo" currency, and there are inclosed, for your information and guidance, copies of confidential correspondence with the State Department regarding this matter.

Very truly yours,



Chester Morrill,
Secretary.

Inclosures.

C O P Y

X-7904-a

September 29, 1933

Honorable William Phillips
Under Secretary of State
Washington, D. C.

Re: FE793.94 Advisory Committee

Dear Mr. Phillips:

Your letter of September 26th, addressed to the Honorable William H. Woodin, Chairman of the Federal Reserve Board, Washington, D. C., regarding "Manchukuo" currency, has been referred to Governor Black and, in his absence, I am taking the liberty of replying.

The Federal Reserve Board has not published anything in relation to or in quotation of "Manchukuo" currency, and we have given the proper instructions not to do so without consulting the Department of State.

Sincerely yours,

H. Warner Martin
Assistant to the Governor

C O P Y

X-7904-b

DEPARTMENT OF STATE

Washington

In reply refer to
FE 793.94 Advisory Committee

September 26, 1933

STRICTLY CONFIDENTIAL

My dear Mr. Woodin:

Under date of June 12, 1933, the Secretary General of the League of Nations transmitted to me a copy of a circular prepared by the Advisory Committee of the League, in whose deliberations Mr. Hugh R. Wilson, American Minister to Switzerland, participated as a representative of the American Government, relating to various measures involved in the non-recognition of "Manchukuo", a new political regime which has been set up in Manchuria, China. Among the measures dealt with in this circular there is one which relates to the currency of "Manchukuo", as follows:

"After considering the currency question, the Advisory Committee has arrived at the conclusion that a domestic currency is created by a domestic law, and is actually utilized in the same way as any other object of value that is bought or sold in the international market. The Committee thinks it inexpedient to propose that Governments should pass legislation prohibiting transactions in 'Manchukuo' currency, but it desires to call the attention of countries which have an official foreign exchange market to the desirability of taking any useful measures in order not to admit official quotation in 'Manchukuo' currency."

In replying to the Secretary General, I informed him under date of September 20, 1933, inter alia as follows:

"In reply I am happy to inform you that the views of the American Government with regard to the principle of non-recognition remain unchanged and that the American Government concurs in general in the conclusions arrived at by the Advisory Committee."

So far as I am aware the Federal Reserve Board has not published anything in relation to or in quotation of "Manchukuo" currency, but, in order that our policy in the future in this regard may be in accord with the recommendation of the Advisory Committee in which this

- 2 -

X-7904-b

Government has concurred, I shall appreciate your taking whatever steps may be necessary to ensure that the Federal Reserve Board will not, without consulting this Department, publish anything relating to "Manchukuo" currency.

I am sending a similar letter to the Treasury Department.

Sincerely yours,

(Signed) WILLIAM PHILLIPS

FEDERAL RESERVE BOARD

312

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

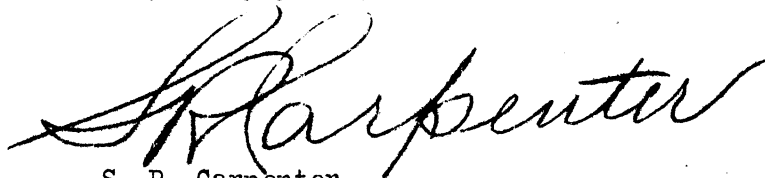
X-7905

June 1, 1934.

Dear Sir:

There are being forwarded to you today, under separate cover, ten copies of S.3025, a bill "To amend section 12B of the Federal Reserve Act so as to extend for one year the temporary plan for deposit insurance, and for other purposes", in the form in which it passed the House of Representatives on May 24, 1934, and ten copies of the conference report, dated May 30, 1934, on the Securities Exchange Act of 1934, H.R.9323.

Very truly yours,

A large, stylized handwritten signature in dark ink, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS.

(No copy to Governors nor extra copies to banks.)

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7906

June 4, 1934.

SUBJECT: Code Words Covering New Issues of
Treasury Notes and Treasury Bonds.

Dear Sir:

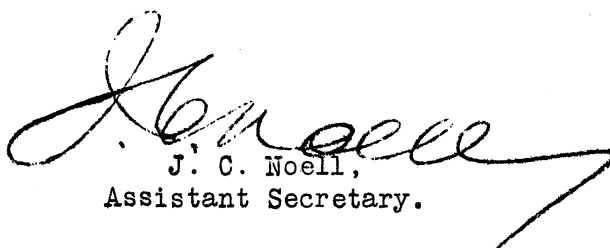
In connection with telegraphic transactions between Federal reserve banks covering Government securities, the following code words have been designated to cover new issues of Treasury Notes and Treasury Bonds:

"NOWHYX" 2 1/8% Treasury Notes, Series A-1939, to be dated June 15, 1934 and to mature June 15, 1939.

"NOWCELL" 3% Treasury Bonds of 1946-1948, to be dated June 15, 1934, and to mature June 15, 1948.

These code words should be inserted in the Federal Reserve Telegraph Code book, on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7907

June 6, 1934.

SUBJECT: Safekeeping of Securities by Federal
Reserve Banks.

Dear Sir:

The report of the committee on the function of custodies in Federal reserve banks dated March 11, 1927, which was received and approved by the May, 1927 Governors' Conference contained the following question and recommendation:

"1. Should Federal reserve banks receive for safekeeping securities which are the property of member banks, and, if so, should any distinction be made as to the location of the member bank; that is, should the same service be rendered to both city and country banks?

"The Federal reserve banks are all rendering a safekeeping service to their member banks and it is doubtful if the banks could avoid the rendering of this service to at least a limited extent, even if they desired to do so. For instance, the banks necessarily hold large amounts of securities as collateral to loans. The loans are paid off and the securities generally are permitted to remain with the reserve bank as a matter of convenience and in anticipation of the need for further borrowing. Securities so held, even though originally pledged as collateral, are held in safekeeping and it would be very difficult, if not quite impossible, to avoid the holding of securities in such cases. In addition, a large number of banks have lodged with their Federal reserve banks for safekeeping all or a substantial part of their security holdings. In some districts the reserve banks are already holding a majority of all of the securities owned by the country member banks within the districts. This represents a service of very great value to the country member bank and, incidentally, to the public interest generally, for the reason that the majority of country banks do not have

- 2 -

vaults of proper strength for the safeguarding of their property. Your committee believes that the value of this service to the member banks is far beyond its comparatively small cost to the Federal Reserve System and that it is a service which is incident to the maintenance of the reserve account.

"It recommends, therefore, that the Federal reserve banks receive for safekeeping securities which are the property of their country member banks. As to whether or not this service should be rendered to both city and country banks, it is the view of the committee that in general the policy should be to limit the safekeeping of securities to member banks outside of reserve and branch cities, but that the reserve banks should exercise discretion in the case of banks which do not have adequate vault protection of their own, regardless of location".

Replies to the Board's letter B-905 of July 12, 1933, regarding the extent and cost of the service rendered by Federal reserve banks to member banks and others in the safekeeping of securities indicate that several reserve banks are not following the committee's recommendation as quoted above but are accepting for safekeeping all securities tendered by member banks, which are their property, without regard to whether the banks are located in the reserve bank or branch city or outside such cities.

The Federal Reserve Board is in accord with the above-quoted Committee recommendation to the Governors' Conference and is of the opinion that the Federal reserve banks should be guided thereby. The Board recognizes, however, that at times it may be to the interest of the Federal reserve banks to hold in safekeeping (or in "collateral account" although not actually pledged as security for borrowings or deposits), for member banks located in Federal reserve bank and branch cities, United States Government securities which are the exclusive property of

- 3 -

such member banks, particularly when the securities are being used from time to time as collateral to borrowings from the Federal reserve banks, and interposes no objections to Federal reserve banks rendering member banks this service. It feels, however, that this service should not be rendered by the Federal reserve banks for local member banks with adequate vault facilities except for limited periods and to the extent that it contributes to the efficient and economical operation of the reserve banks.

It is noted from the replies to the Board's letter of July 12, 1933, that some of the reserve banks are holding in custody for member banks securities pledged by such banks as collateral to loans obtained by them from their correspondents. The Board is of the opinion that this service should not be rendered except in emergency cases. It is also noted that at some of the reserve banks securities are being held in safekeeping for the account of various receivers of closed banks. In this connection the Board feels that, while there is no objection to retaining the securities held in safekeeping at the time of suspension of a member bank until the receiver has had an opportunity to make other arrangements, new deposits of securities should not be accepted.

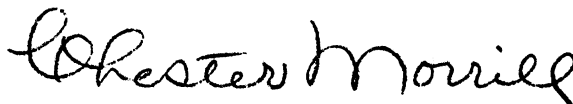
The Board recognizes that there may be valid and persuasive reasons why the reserve banks should wish to receive for safekeeping securities pledged by a member bank to secure public deposits and that an amendment of the Federal Reserve Act is perhaps desirable in order that the reserve banks may be specifically authorized to do so. Please, therefore,

- 4 -

advise the Board of your views as to the desirability of an amendment of the law in this respect and furnish any suggestions which you or counsel for your bank desire to make with respect to the scope or content of such amendment.

A summary statement (B-916) of the replies to the Board's letter of July 12, is inclosed for your information.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

318

WASHINGTON

X-7908

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 6, 1934.

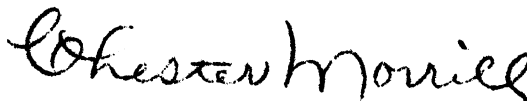
SUBJECT: Participation in Account Opened by
Federal Reserve Bank of New York for
Banco de Mexico.

Dear Sir:

There is inclosed a copy of a letter addressed by the Board to Mr. J. E. Crane, Deputy Governor of the Federal Reserve Bank of New York, advising of approval by the Board of the action of the board of directors of the bank in authorizing the officers to open and maintain an account on the books of the bank in the name of the Banco de Mexico.

As stated in the letter to Mr. Crane, the Board approves the acceptance by your bank, should it desire to do so, of participation in the account if and when established by the New York bank.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO CHAIRMEN OF ALL F. R. BANKS EXCEPT NEW YORK.

June 6, 1934.

Mr. J. E. Crane, Deputy Governor,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Crane:

In accordance with the request contained in your letter of May 31, 1934, the Federal Reserve Board approves the action of your directors in authorizing the officers of the Federal Reserve Bank of New York to open and maintain an account on the books of the bank in the name of the Banco de Mexico and to carry out operations in this market for that bank along substantially the same general lines and subject to substantially the same terms and conditions as for other foreign central banks having accounts with you.

It is noted that the action of your directors restricts the relations to be established with the Banco de Mexico to the opening of a one-way account and it will be appreciated if you will forward to the Board for its records a copy of your letter to the Banco de Mexico, setting forth the terms and conditions upon which the account with that institution will be opened and maintained, together with a copy of the bank's acceptance of the conditions.

Your letter states that, if the opening of the account is approved, your bank will offer a participation in the account to the other Federal reserve banks. The Federal Reserve Board approves the participation in the account by any of the Federal reserve banks which may desire to do so, and letters are being addressed today to the chairmen of the banks advising them accordingly.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7909

June 7, 1934.

Dear Sir:

There are being forwarded to you today under separate cover, for the use of your bank, three copies of Part 16 of the hearings before the Committee on Banking and Currency of the United States Senate on stock exchange practices. Reference to Parts 1 to 15 of these hearings was made in my letter to you of April 11, 1934.

Very truly yours,

A handwritten signature in cursive script, reading "S. R. Carpenter". The signature is fluid and elegant, with a large initial "S" and a long, sweeping underline.

S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS.

(No copies to Governors nor extra copies to banks.)

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

June 8, 1934.

Mr. Eugene M. Stevens,
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

The Board has given consideration to Mr. Young's letter of May 14, 1934, replying to the Board's letter to you dated April 25, 1934 regarding the applications under Section 32 of the Banking Act of 1933 of _____, _____, _____, _____, _____, _____, _____ and _____ to serve at the same time the Bank of _____, _____, _____, and the _____ Mortgage Investment Company, _____, _____. The Board has also examined the photostatic copy of _____ First Mortgage Collateral Trust Bond issued by the _____ Mortgage Investment Company and the photostatic copies of financial statements of the company for the years 1931, 1932 and 1933 which were inclosed in Mr. Young's letter.

It appears that the _____ Mortgage Investment Company was incorporated for the purpose of furnishing investments secured by first mortgages on local real estate; that the bonds are issued by the company in denominations of _____ and _____ each, bear coupons for the payment of interest semi-annually, and are payable to bearer

Mr. Eugene M. Stevens -- 2

at the end of a period not exceeding six years; that they are issued in series not exceeding _____ and are secured by first mortgages on real estate totaling at least the same amount. It further appears that the mortgages are allotted to the particular series of bonds which they secure and are assigned, presumably by the mortgage company, to the Bank of _____ and to Mr. _____, as co-trustees, under a deed of trust executed for that purpose. It appears that the company does no business other than has been here described. It is stated that the bonds are issued principally for sale locally, are not registered or listed on any exchange and are not actively traded in.

The bonds issued by the _____ Mortgage Investment Company appear to be obligations of that company and are not the type of bond or note usually given by a borrower as evidence of a debt secured by a mortgage on real property. While the mortgages taken by the company are held in trust as security for the payment of the series of bonds to which they have been allotted, particular bonds are not directly identified with particular mortgages, and in this respect differ from the usual real estate mortgage note.

On the basis of the foregoing, the Board believes that the bonds which the _____ Mortgage Investment Company issues are "securities" within the purview of Section 32, and that the company is "engaged primarily in the business of purchasing, selling, or negotiating" such securities. Therefore it appears that the relationships covered by these applications are of the kind which Section 32 was designed to terminate.

Mr. Eugene M. Stevens -- 3

Accordingly, it is suggested that you notify the applicants that the Board is unable to find that it would be not incompatible with the public interest to issue permits under Section 32 to serve the Bank of _____, and the _____ Mortgage Investment Company. It will be appreciated if you will advise the Board what steps the applicants intend to take in order to bring the relationships referred to in the first paragraph of this letter into conformity with the requirements of that section.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

June 4, 1934.

_____,
_____,
_____.

Dear Sir:

Receipt is acknowledged of your letter of May 17, 1934 regarding the right of your bank under the Federal Reserve Board's Regulation Q to allow the transfer of a savings account from one depositor to another.

You state that in accordance with Section VI of Regulation Q, your bank requires thirty days' notice of intended withdrawal from savings accounts, except that any depositor may withdraw \$100 during any calendar month without such notice. You request to be advised whether, in view of this requirement, you may lawfully permit a savings depositor whose account is in excess of the \$100 limit to divest herself of title to such account by a transfer thereof to a savings account in the name of another depositor, provided that the new account shall immediately be subject to the above mentioned rule of the bank with respect to withdrawals from savings accounts.

Section 19 of the Federal Reserve Act provides that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. Pursuant to this provision of the statute, the Federal

- 2 -

Reserve Board has prescribed in Section VI (a) of its Regulation Q that if a member bank requires notice before the payment of any portion or percentage of the savings deposits of any depositor, it shall require such notice before the payment of the same portion or percentage of the savings deposits of any other depositor which are subject to the same requirement. Since your bank requires thirty days' notice before the withdrawal of amounts in excess of \$100 during any calendar month, it may not lawfully allow the withdrawal of the funds here in question without requiring such notice, unless it should change its practice in this regard in accordance with the provisions of Section VI of Regulation Q. It appears that the transaction described in your letter would in effect make available to the savings depositor the entire amount of the funds contained in his account without requiring notice of withdrawal, thus discharging the obligation of the bank to the depositor, and that a new account in the same amount would then be opened by another depositor. It is the opinion of the Board that such a transaction would constitute a payment of the savings deposits in question and, accordingly, that the transaction is not permissible in view of the present practice of your bank to require notice of thirty days before payment of other savings deposits of similar amounts.

You state in your letter that the two banks in _____, _____, "have agreed to require 30 days' notice of intended withdrawal from savings accounts except that any depositor may withdraw \$100 during any calendar month without such notice." One of the require-

- 3 -

ments of a savings deposit set forth in Regulation Q is that the depositor must be required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than thirty days before a withdrawal is made. It is not clear from the information submitted whether each bank in _____ has reserved the legal right to require notice in writing of not less than thirty days before withdrawals of amounts of \$100 or less; and if the contract between the depositor and the bank does not reserve to the bank the legal right to require the requisite notice of withdrawal of amounts of \$100 or less, or if such bank may not change its practice in this respect without the consent of the other bank concerned so as to require the requisite notice of withdrawal, the amount which is not subject to such notice may not be treated as a savings deposit within the meaning of Regulation Q upon which interest may lawfully be paid. On the other hand, if the bank at its option may legally require notice in writing of not less than thirty days before the withdrawal of any part of a savings deposit, regardless of the amount to be withdrawn, without contravening any provision of its contract with its depositor or its agreement with other banks, the entire amount of such deposit may properly be classified as a savings deposit if it otherwise complies with the definition in Regulation Q. If there is any question as to the right of your bank in this respect, it is suggested that consideration be given to the advisability of revising the contracts with depositors and agreements with other banks so as to make clear the bank's legal right at its option to require

- 4 -

notice in writing of not less than thirty days before the withdrawal of any amount whatever of a savings deposit, in order that the entire amount of such deposit may properly be classified as a savings deposit upon which interest may lawfully be paid.

In this connection it appears that your bank requires thirty days' notice of intended withdrawals from savings accounts (with the exception above discussed) but you do not indicate that notice in writing is required. Your attention is invited to the requirement with respect to savings deposits contained in Regulation Q that the depositor may at any time be required by the bank to give notice in writing of not less than thirty days before a withdrawal is made.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

328

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7912

June 9, 1934.

Dear Sir:

There is inclosed, for your information, a copy of Public No. 235, 73d Congress, "An Act to provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System". It will be noted that this act was approved by the President on May 18, 1934.

Very truly yours,

A handwritten signature in cursive script, reading "S. R. Carpenter". The signature is fluid and elegant, with a long, sweeping underline that extends to the right.

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO ALL F. R. AGENTS.

C O P Y

X-7912-a

(Public - No. 235 - 73d Congress)

(S. 2841)

AN ACT

To provide punishment for certain offenses committed against banks organized or operating under laws of the United States or any member of the Federal Reserve System.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That as used in this Act the term "bank" includes any member bank of the Federal Reserve System, and any bank, banking association, trust company, savings bank, or other banking institution organized or operating under the laws of the United States.

Sec. 2. (a) Whoever, by force and violence, or by putting in fear, feloniously takes, or feloniously attempts to take, from the person or presence of another any property or money or any other thing of value belonging to, or in the care, custody, control, management, or possession of, any bank shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

(b) Whoever, in committing, or in attempting to commit, any offense defined in subsection (a) of this section, assaults any person, or puts in jeopardy the life of any person by the use of a dangerous weapon or device, shall be fined not less than \$1,000 nor more than \$10,000 or imprisoned not less than five years nor more than twenty-five years, or both.

Sec. 3. Whoever, in committing any offense defined in this Act, or in avoiding or attempting to avoid apprehension for the commission of such offense, or in freeing himself or attempting to free himself from arrest or confinement for such offense, kills any person, or forces any person to accompany him without the consent of such person, shall be punished by imprisonment for not less than 10 years, or by death if the verdict of the jury shall so direct.

Sec. 4. Jurisdiction over any offense defined by this Act shall not be reserved exclusively to courts of the United States.

Approved, May 18, 1934.

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

June 5, 1934.

Mr. John S. Wood,
Federal Reserve Agent,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Mr. Wood:

This refers to your letter of May 25, 1934, with inclosures, with regard to the practice of the _____ National Bank and Trust Company of _____, _____, in respect to balances of the trust department carried in the commercial department of the bank.

It is understood from the information submitted that the trust department of the bank deposits in the commercial department small amounts which it is unable to invest; that as a matter of bookkeeping and in order to show the cost and profit in operating the several departments of the bank there is credited to the trust department 2 per cent of the average balances carried in the commercial department by the trust department; that no part of the amount thus credited to the trust department is, directly or indirectly, paid or credited to any trust estate or beneficiary thereof; and that the trust department in turn pays over to the bank all earnings of the department.

On the basis of these facts, it appears that the crediting to the trust department of 2 per cent of its average balances with the commercial department is merely a bookkeeping transaction, and, since no part of the amount is paid or credited to any person other than the bank, it is the view of the Board that no payment of interest within the meaning of Section 19

Mr. John S. Wood --2

of the Federal Reserve Act is involved. However, in a case of this kind especial care should be taken to comply with the provisions of Section VIII(a) of the Board's Regulation F in order that the officials of the trust department, in an endeavor to increase the apparent earnings of the department, may not keep balances of trust funds uninvested and on deposit in the commercial department for a longer time than is reasonably necessary.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

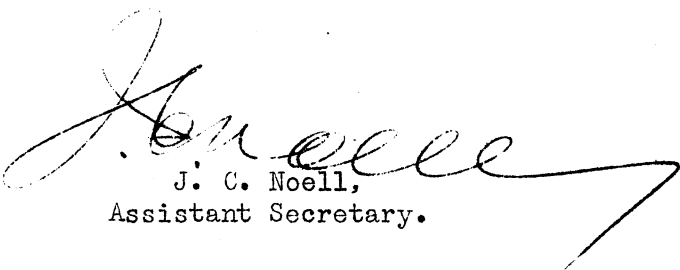
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7914

June 11, 1934.

Memorandum

Referring to the Board's letter of May 19, X-7896,
Subject, Holidays during June, 1934, the Board is now advised by the Federal Reserve Bank of Richmond that, the Governor of Maryland having declared Saturday, June 16, a legal holiday in commemoration of the three hundredth anniversary of the founding of Maryland, the Baltimore Branch will be closed on that day.



J. C. Noell,
Assistant Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

X-7915

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 12, 1934.

Dear Sir:

There are being forwarded to you today,
under separate cover, five copies of the confer-
ence report, dated June 8, 1934, on bill S.3025,
"To amend Section 12B of the Federal Reserve Act
so as to extend for one year the temporary plan
for deposit insurance, and for other purposes".

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS

(No copies to Governors and no extra copies to banks.)

FEDERAL RESERVE BOARD

334

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7916

June 15, 1934.

SUBJECT: Applications for Changes in Stock of
Federal Reserve Banks.

Dear Sir:

Recently there was submitted to the Federal Reserve Board an application filed by a member bank for additional stock in a Federal reserve bank, based upon an increase in the capital stock of the applicant through the sale of preferred stock, the increase being a part of the plan of recapitalization of the bank which also involved a reduction in the bank's common stock. The application was held in the Board's offices pending the reduction in the common capital stock and, when it was effected, the Board requested that a new application be submitted by the applicant on the basis of its then capital and surplus. In its letter to the Federal reserve agent the Board suggested that when the agent has information that an application for an adjustment in Federal reserve bank stock holdings is contemplated incident to the consummation of only a part of a plan which provides both for an increase and a decrease in the capital structure, it would be proper to suggest to the applicant bank that the application be withheld temporarily pending the completion of the entire recapitalization plan. If there is an unusual delay in the completion of the plan, the application

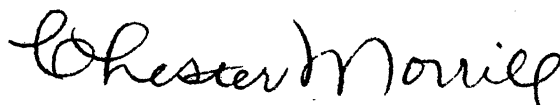
-2-

X-7916

should, of course, be executed and forwarded to the Board with the agent's recommendation and a statement of the pending changes in the applicant bank's capital structure.

The Board believes that this suggested procedure should be followed at all Federal reserve banks and, in this connection, it will be appreciated if, before forwarding to the Board applications of member banks for changes in Federal reserve bank stock holdings, you will carefully check each application against information available in your office relating to any changes in the bank's capital structure which may have been effected or approved. This matter is brought to your attention at this time for the reason that the Board has found it necessary in a number of cases recently to require the submission of amended applications to state correctly the basis upon which the applications were made or to correct the number of shares of Federal reserve bank stock involved.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill".

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

336

WASHINGTON

X-7917

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 16, 1934.

SUBJECT: Code Word Covering New Issue
of Treasury Bills.

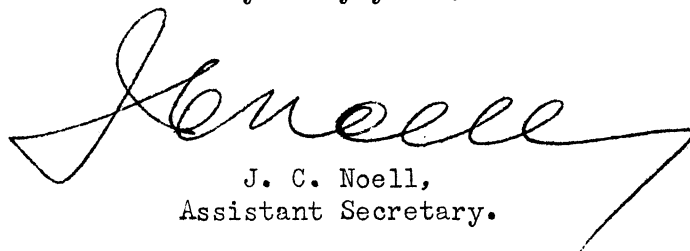
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXLURE" - Treasury Bills to be dated June 20, 1934, and to mature December 19, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLUPE" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

THIS FORM MUST BE EXECUTED

(In Duplicate)

NATIONAL RECOVERY CERTIFICATE

It is hereby certified that the undersigned is complying with and will continue to comply with each approved code of fair competition to which he is subject, and/or if engaged in any trade or industry for which there is no approved code of fair competition, then as to such trade or industry that he has become a party to and is complying with and will continue to comply with an agreement with the President under Section 4(a) of the National Industrial Recovery Act (President's Reemployment Agreement) and that all other conditions and requirements of Executive Order No. 6646, dated March 14, 1934, are being and will be complied with.

Provided, that where supplies are purchased that are not mined, produced, or manufactured in the United States (see Sec. 2, Title III, of the act approved March 3, 1933, Public No. 428, 72d Cong.), the special or general code of fair practice shall apply to that portion of the contract executed within the United States.

(Date)

(Full name of bidder)

(Address)

(It is understood and agreed that any contract executed on this bid shall provide and require that: "The contractor shall comply with each approved code of fair competition to which he is subject, and if he is engaged in any trade or industry for which there is no approved code of fair competition, then as to such trade or industry with an agreement with the President under Section 4(a) of the National Industrial Recovery Act (President's Reemployment Agreement), and the United States shall have the right to cancel this contract for failure to comply with this provision and make open-market purchases or have the work called for by this contract otherwise performed at the expense of the contractor, and the contractor shall not accept or purchase for the performance of this contract or purchase order or enter into any subcontracts for any articles, materials, or supplies, in whole or in part produced or furnished by any person who shall not have certified that he is complying with and will continue to comply with each code of fair competition which relates to such articles, materials, or supplies, and/or in case there is no approved code for the whole or any portion thereof then to that extent 'with an agreement with the President as aforesaid'.")

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7919

June 16, 1934.

Dear Sir:

There have been forwarded to you, under separate cover, for the use of your bank, ten copies of H. R. 9876, "A Bill to amend certain sections of the Banking Act of 1933 and the Federal Reserve Act and certain laws relating to national banking associations, and for other purposes", as reported by the Committee on Banking and Currency of the House of Representatives on June 11, 1934. Ten copies of House of Representatives Report No. 1948, to accompany H. R. 9876, have also been sent you. A similar bill (S. 3748) was reported by the Senate Banking and Currency Committee on June 6, 1934.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS

(No copies to Governors and no extra copies to banks.)

FEDERAL RESERVE BOARD

WASHINGTON

339

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7920

June 18, 1934.

Dear Sir:

There are being forwarded to you today, under separate cover, twenty-five copies of the conference report, dated June 16, 1934, on bill S. 3487, relating to direct loans for industrial purposes by Federal reserve banks, and for other purposes. The conference report has been agreed to by the Senate and House of Representatives but has not yet been signed by the President.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'S. R. Carpenter', with a stylized, cursive script.

S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS

(No copies to governors and no extra copies to banks,
one copy to Mr. Kitzmiller.)

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7921

June 19, 1934.

SUBJECT: Holidays During July, 1934.

Dear Sir:

On Wednesday, July 4, Independence Day, the offices of the Federal Reserve Board and all Federal reserve banks and branches will be closed.

The Board has been advised that holidays also will be observed by Federal reserve banks and branches during July as follows:

Tuesday, July 3,	Oklahoma City	Primary election
Friday, July 13,	Nashville Memphis	(Birthday of General (Bedford Forrest
Tuesday, July 24,	Oklahoma City Salt Lake City	Primary election run-off Pioneer Day
Saturday, July 28,	Dallas El Paso Houston San Antonio	Primary election

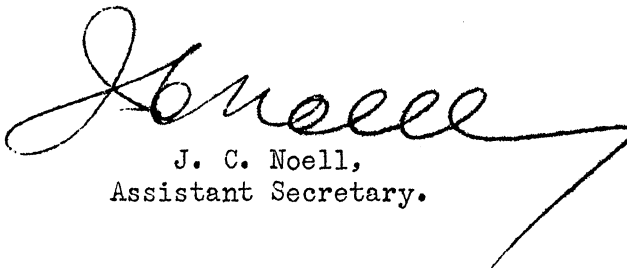
On the dates given the offices mentioned will not participate in either the transit or the Federal reserve note clearing through the Gold Settlement Fund. Please include transit clearing credits for the offices affected on each of these holidays with your credits for the following business day. No debits covering shipments of Federal reserve notes for account of the Federal Reserve Bank of Dallas should

-2-

be included in your note clearing of July 28.

Please notify branches.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'J. C. Noell', with a long, sweeping horizontal line extending to the right.

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7922

June 19, 1934.

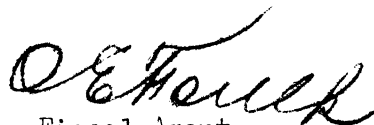
SUBJECT: Expense, Main Lines, Leased
Wire System, May, 1934.

Dear Sir:

Inclosed herewith you will find two mimeographed statements, X-7922-a and X-7922-b, covering in detail operations of the main lines, Leased Wire System, during the month of May, 1934.

Please credit the amount payable by your bank for your share of the expense of the Leased Wire System, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Gold Settlement Fund for the account of the Federal Reserve Board, and advise the Federal Reserve Bank of Richmond by wire the amount and purpose of the credit.

Very truly yours,


Fiscal Agent.

Inclosures.

TO GOVERNORS OF ALL F. R. BANKS.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINES
OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MAY, 1934.

From	Business reported by banks	Words sent by New York charge- able to other F. R. Banks (1)	Net Federal reserve bank business	Per cent of total Bank business (*)
Boston	31,881	1,257	33,138	4.24
New York	144,560	-	144,560	18.52
Philadelphia	30,157	1,445	31,602	4.05
Cleveland	53,362	1,267	54,629	7.00
Richmond	53,524	1,321	54,845	7.03
Atlanta	48,923	1,418	50,341	6.45
Chicago	92,157	1,735	93,892	12.03
St. Louis	64,790	1,576	66,366	8.50
Minneapolis	33,352	1,274	34,626	4.44
Kansas City	69,036	1,338	70,374	9.01
Dallas	57,298	2,378	59,676	7.64
San Francisco	83,621	2,952	86,573	11.09
Total	762,661	17,961	780,622	100.00

F. R. Board business 361,439 1,142,061

Reimbursable business Incoming & Outgoing 705,352

Total words transmitted over main lines 1,847,413

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-7922-b).

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2-4, 1925.

REPORT OF EXPENSE MAIN LINES
FEDERAL RESERVE LEASED WIRE SYSTEM, MAY, 1934.

X-7922-b

Name of Bank	Operators' salaries	Retirement Contributions	Operators' over-time	Wire rental	Total expenses	Pro rata share of total expenses	Credits	Payable to Federal Reserve Board
Boston	\$260.00	\$ 70.20	\$1.00	\$ -	\$331.20	\$681.99	\$331.20	\$350.79
New York	1,345.80	357.37	7.00	-	1,710.17	2,978.90	1,710.17	1,268.73
Philadelphia	225.00	60.75	-	-	285.75	651.43	285.75	365.68
Cleveland	306.66	82.80	-	-	389.46	1,125.93	389.46	736.47
Richmond	190.00	51.30	-	230.00(&)	471.30	1,130.76	471.30	659.46
Atlanta	270.00	72.90	-	-	342.90	1,037.47	342.90	694.57
Chicago	4,279.80(#)	751.50	2.00	-	5,033.30	1,935.00	5,033.30	3,098.30(*)
St. Louis	195.00	52.65	.75	-	248.40	1,367.21	248.40	1,118.81
Minneapolis	268.21	82.12	-	-	350.33	714.16	350.33	363.83
Kansas City	287.00	77.49	-	-	364.49	1,449.24	364.49	1,084.75
Dallas	251.00	67.77	-	-	318.77	1,228.88	318.77	910.11
San Francisco	380.00	102.60	-	-	482.60	1,783.80	482.60	1,301.20
Federal Reserve Bd.	-	-	-	15,690.26	15,690.26	-	-	-
Total	\$8,258.47	\$1,829.45	\$10.75	\$15,920.26	\$26,018.93	\$16,084.77	\$10,328.67	\$8,854.40
Less Reimbursable Charges:					9,934.16			3,098.30(a)
					\$16,084.77			\$5,756.10

- (&) Main line rental, Richmond-Washington
 (#) Includes salaries of Washington operators
 (*) Credit
 (a) Amount reimbursable to Chicago

FEDERAL RESERVE BOARD

345

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7923

June 20, 1934.

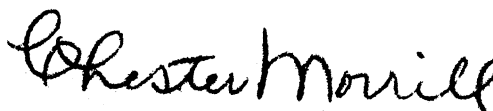
SUBJECT: Applications for Membership of
Trust Companies Doing Substantially
No Banking Business.

Dear Sir:

During the past several years the Board has taken the position that it would not admit to membership in the Federal Reserve System trust companies which do substantially no commercial banking business, but recently it reviewed the question and decided that it should give consideration to applications for membership from trust companies of this type.

If there is any trust company in your district that has been advised that it would not be admitted to membership because it was doing substantially no commercial banking business, the Board desires that you inform it that the Board will give consideration to its application for membership if it desires to file one.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7924

June 20, 1934.

Dear Sir:

On June 9, 1934, there were forwarded to your bank 200 copies of the Securities Exchange Act of 1934, Public No. 291. An error was made in that print of the Act in that in paragraph (f) on page 15 a wrong line was inserted for line 12 of the paragraph. This error has been corrected in a new print of the bill, and 200 copies of the corrected print are being forwarded to you today.

The printing error referred to will not appear in the text of the Act which will be contained in the June issue of the Federal Reserve Bulletin.

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS

(No copies to governors and no extra copies to banks; one copy to go to Mr. Kitzmiller.)

FEDERAL RESERVE BOARD

WASHINGTON

X-7925

347

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 21, 1934.

SUBJECT: Discounts for Individuals, Partnerships and Corporations.

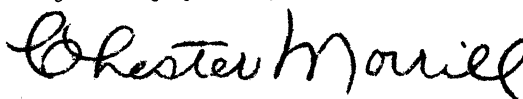
Dear Sir:

The authority granted by the Federal Reserve Board to all Federal reserve banks in its circular of July 26, 1932 (X-7215-a), as amended by its letter of January 10, 1934 (X-7746), to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and that circular, will expire at the close of business on July 31, 1934. The Board has decided to extend such authorization for an additional six months, and, accordingly, has amended section II of its circular of July 26, 1932 (X-7215-a), to read as follows:

"AUTHORIZATION BY THE FEDERAL RESERVE BOARD.

The Federal Reserve Board, pursuant to the power conferred upon it by the amendment hereinbefore quoted, hereby authorizes all Federal reserve banks, for a period ending at the close of business on January 31, 1935, to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and this circular."

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMEN AND GOVERNORS OF ALL F. R. BANKS.

X-7926

ARTICLE APPEARING IN THE NEW YORK HERALD TRIBUNE OF JUNE 12, 1934, IN REGARD TO THE DECISION HANDED DOWN ON JUNE 11 BY JUSTICE LOUIS A. VALENTE IN THE SUPREME COURT OF NEW YORK IN AN ACTION BROUGHT BY MR. JOSEPH A. BRODERICK, STATE SUPERINTENDENT OF BANKS, AGAINST TWELVE OFFICERS AND DIRECTORS OF THE BANK OF THE UNITED STATES.

"12 BANK OF U. S. OFFICIALS LIABLE FOR 28 MILLION

Judgments Hold Directors 'Supinely
Acquiescent' in Making Illegal Loans

Twelve officers and directors of the defunct Bank of United States were held responsible for losses of \$28,473,653.75 by a decision handed down yesterday by Justice Louis A. Valente, in Supreme Court. Four judgments totaling this amount were directed against the bank officials in a suit for \$60,000,000 brought by Joseph A. Broderick, State Superintendent of Banks.

In an opinion which is expected to have an important effect on the liquidation of banks throughout the country, Justice Valente held that the directors are 'charged with the trust responsibility to see that the depositors' funds are safely and providently invested' and that they had 'supinely acquiesced' in the making of 'speculative, unsecured and improvident loans.'

As two of the defendants in the suit, Bernard K. Marcus and Saul Singer, president and executive vice-president of the bank, respectively, are now serving sentences in Sing Sing for misapplying funds of an affiliate of the bank, and others are in bankruptcy, the practical result

of the decision in the collection of funds to aid depositors of the bank remains problematical.

The bank was closed on December 11, 1930. The suit in which the present decision was rendered was brought to recover losses sustained by the bank as a result of alleged violation by the defendants of their duties as directors. It went on trial in January of this year and continued for six weeks. Justice Valente held in his decision that the reason for a higher standard of diligence required of banking directors as compared with that of other corporations is obvious, and that it is not for the bank director to wait for knowledge about the bank's investments 'until the facts are thrust in his face.'

Four Judgments Listed

Judgments against the officials were as follows:

Judgment for \$12,760,773.75 -- Against Bernard K. Marcus, Saul Singer, Joseph C. Brownstone, John F. Gilchrist, Jacob L. Hoffman, Reuben Sadowsky, George C. Van Tyle jr., Israel H. Rosenthal and Morris White.

Judgment for \$7,640,500.00 -- Against William Fischman.

Judgment for \$7,672,380.00 -- Against Harry H. Revman.

Judgment for \$400,000.00 -- Against Morris Weinberg.

Carl J. Austrian, chief counsel in the liquidation of the bank, devoted the greater part of a year to the preparation of the case, which involves the rarely litigated question of the responsibility of bank directors to depositors. Mr. Austrian said yesterday that the

X-7926

-3-

judgments should have an important influence on the matter of bank liquidations elsewhere. During the trial some of the defendant directors admitted on the witness stand that they had known little of the actual operations of the bank and had relied on the experience and statements of Marcus and Singer.

In the original suit forty officials were named. Twenty-five of them effected settlements which met with the approval of the court and brought about \$2,000,000 to the State Department of Banks to be applied to the liquidation of the institution. Thirteen made settlements before the case went to trial and twelve while the trial was in progress, among the latter being Isidor J. Kresel, counsel to the bank, who was convicted of misapplication of the assets of the bank and is now free on bail pending appeal.

The suit against three defendants, Henry Loeb, Stephen Stephens and Joseph Brown, was discontinued because they had left the jurisdiction of the court and could not be served with the summons and complaint.

Those who made settlement before the trial were Robert Adamson, George Le Boutillier, Joseph Durst, Isaac Gilman, Frank Hedley, Eugene B. Kline, Edward B. Lewis, Arthur W. Little, the late Herman A. Metz, Charles H. Silver, David Tishman, Alexander C. Walker and Max Weinstein. Those who arranged settlements while the trial was in progress, in addition to Mr. Kresel, were Henry W. Pollock, Max H. Friedman,

Simon H. Kugel, Irwin S. Chanin, Albert Rosenblatt, George S. Carr, A. Milton Napier, estate of Frederick G. Hobbs, Joshua L. Coken, estate of Julius Blauner and C. Stanley Mitchell, chairman of the board. The individual payments ranged from \$5,000 to \$150,000.

Justice Valente found that the principal losses of the bank resulted from unsecured loans to the Bankus Corporation, one of the chief affiliates of the bank. Transactions of the bank with this affiliate and two of its subsidiaries, according to the court's decision, resulted in a loss of almost \$12,000,000 to the bank, the unsecured loans in these cases amounting to more than 25 per cent of the bank's capital and surplus which was never higher than \$47,000,000.

Justice Valente's Decision

Justice Valente's decision follows, in part:

'Counsel for the plaintiff with indefatigable industry has fully developed the details regarding the various alleged improvident loans, and has presented them with commendable clearness and in systematic arrangement. The amount of the loans and the fact of the losses is beyond question. The only thing to be considered is whether these losses are to be chargeable against the defendants. The action against the directors involves their accountability from a double aspect; first, that the loans were improvident in that they were made upon no security to corporations without substantial assets, and, secondly, and more important, that in making the loans which have resulted in the losses referred to the directors violated the banking laws, and the consequences of such violation are the losses of millions of dollars to the bank and its creditors.

'It is not necessary to assume that those responsible for making the improvident loans acted from corrupt motives or with a purpose of making individual gain. The general inference to be drawn from the setup of the Bankus Corporation is rather the opposite. The directors by means of stock speculation through the instrumentality of the Bankus Corporation, using funds furnished by the Bank of United States,

expected to make large profit for the stockholders of Bankus and for those of the bank. The gross impropriety of such a practice of jeopardizing, by highly speculative transactions, the funds entrusted to the bank by depositors, is selfevident.

'The irony of it is that the very stockholders whom it was intended to benefit have lost their entire investment and have been subjected to liability as well. Upon whom shall responsibility for the losses resulting from such breach of trust be visited? Obviously, the officers and the members of the executive committee who were the prime agents in the dissipation of the funds in the manner described are responsible in the first instance. To what extent is this responsibility to be shared by the other directors?

Cites Director's Oath

'The statutory oath which a director of a financial institution is required to take binds him diligently and honestly to administer the affairs of the bank. The commands and the prohibitions contained in Section 108 of the banking law are mandates to the directors.

'As is said in *People v. Knapp* (206 N. Y. 373, 381):

"A command addressed to a corporation would be idle and vain unless the legislature in directing the corporate body, acting wholly by its directors, to do a thing required or not to do a thing prohibited, meant that the directors should not make or cause the corporation to do what was forbidden, or omit to do what was directed."

'Consequently, the violations of Section 108 in which directors knowingly participate, makes them severely accountable for damages which such participation occasions. But, further, a failure by a director to inquire what those actively administering its affairs are doing may in itself be a violation of the director's duty and of his statutory oath. Thus, in *Martin v. Webb* (110 U. S. 7, 15) it was said:

"Directors cannot, in justice to those who deal with the bank, shut their eyes to what is going on around them. It is their duty to use ordinary diligence in ascertaining the condition of its business, and to exercise reasonable control and supervision of its officers. They have something more to do than from time to time to elect officers of the bank and to make declarations of dividends."

'And in *Briggs v. Spaulding* (141 U. S. 132, 165) it is said that their duties are more than officiating as figureheads. While they are

X-7926

-6-

entitled under the law to commit the banking business to the duly authorized officers, it does not absolve them from the duty of reasonable supervision nor ought they to be permitted to be shielded from liability because of want of knowledge of wrongdoing, if that ignorance is a result of gross inattention.

Calls U. S. Rulings Applicable

'The decisions of the United States Supreme Court, based upon the national banking act and the duty of directors of national banks, is fully applicable in the state courts. In *Kavanaugh v. Commonwealth Trust Co.* (223 N. Y. 103) the duty of directors is thus stated:

"They should know of and give direction to the general affairs of the institution and its business policy, and have a general knowledge of the manner in which the business is conducted, the character of the investments and the employment of the resources. No custom or practice can make a directorship a mere position of honor void of responsibility, or cause a name to become a substitute for care and attention. The personnel of a directorate may give confidence and attract custom; it must also afford protection."

'The reason for the higher standard of diligence required of banking directors as compared with that of other corporations is obvious. While legalistically the relation between the bank and its depositors is that of debtor and creditor, practically the directors are charged with the trust responsibility to see that depositors' funds are safely and providently invested. The bulk of the funds of a bank usually are spread out in the form of loans to the business community to help the wheels of industry revolve, and the main responsibility of the director is for the safe and legal application of the bank funds in the form of loans and investments. It is not for him to wait until the facts are thrust in his face. He must at all times take the initiative in examining the loan portfolios. It is no defense, therefore, as one or two of the directors have attempted to assert, that certain loans were not called to their attention or that they were absent at a certain meeting when a particular loan was approved. A sufficient period elapsed since the making of the loan to enable them to inquire into its propriety, and since they took no steps in protest they must be deemed to have ratified it. In the *Kavanaugh* case the defendant director even appeared never to have gone near the bank, to have known nothing of its affairs and to have given no attention to its business, yet the court held that if the proof showed that his neglect contributed to the losses he was liable.

'The disregard of all sound banking principles in the making of

the speculative, unsecured and improvident loans resulted in huge losses for which not only those who actively directed the making of such loans are responsible, but also those who as directors supinely acquiesced in them or failed to inquire into the character of the loans. Every vestige of possible defense, based upon an honest mistake of judgment is destroyed by the fact that the loans which resulted in the losses were made in violation of the banking laws. These infractions of the law may also be said to be the direct and proximate cause of the losses. Surely if the directors illegally made loans in excess of 10 per cent of the capital and surplus the loss of that excess must be chargeable to the directors, for if they had not loaned the money in violation of the law there would have been no opportunity for the loss. Again, losses on loans which were made without security for the purpose of enabling the borrower to pay for or hold shares of the stock of the bank, must also be chargeable to the directors, for if they had not made the illegal loan the loss would not have occurred.

'I have indicated in the findings various amounts for which the directors are severally liable, after giving effect to a credit resulting from settlements with some of the directors. Some remarks on the settlements are appropriate here, because one of the defending directors has argued that his liability should be no greater than the largest amount secured from any director by way of settlement. I can see no basis for such a bizarre proposition. Settlements were made with directors upon the basis of their ability to pay, and only after a searching examination into their affairs. It seemed wiser in the liquidation to secure some practical benefits for the creditors than to give them the doubtful benefit of fantastic judgments against directors, which might be wiped out by proceedings under the Bankruptcy Law. The amount secured in settlements either by present payment or by assured promise of payment is \$1,600,000. The entry of judgment against these directors who have not settled does not necessarily foreclose them from any efforts to obtain an adjustment, although it may make their road harder. I have also considered the separate defenses of defendant Sadowsky, especially the defense of the three years' statute of limitations, and find them without merit.'

C O P Y

X-7927

June 20, 1934.

Mr. Frederic H. Curtiss,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston, Mass.

Dear Mr. Curtiss:

As you have previously been advised the President has signed Senate bill S-3025 amending Section 12B of the Federal Reserve Act so as to extend the plan for temporary deposit insurance until July 1, 1935. In addition to extending the temporary plan of insurance the bill increases the amount of the deposits insured from \$2,500 to \$5,000.

Since the meeting of the Federal Reserve Agents last August much has been accomplished in rehabilitating the capital of member banks, both National and State, and your cooperation in this work has materially contributed to this result. However, in view of the importance of placing the capital of those member State banks that require assistance in the soundest possible condition while the opportunities for such assistance from the Reconstruction Finance Corporation are available, I shall appreciate your continued efforts to consummate at the earliest possible moment plans pending for strengthening the capital of these member State banks and your urging those member State banks which need assistance from the Reconstruction Finance Corporation and have not made application therefor, to do so. While the matter of recapitalizing National banks lies primarily with the Office of the Comptroller of the Currency, I am sure that you will continue to lend to the Chief National Bank Examiner of your District

- 2 -

such assistance as you may be able to give him in this connection.

With assurance of my appreciation for your interest and cooperation, I am

Very truly yours,

(Signed) E. R. Black

Governor.

FEDERAL RESERVE BOARD

357

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7928

June 22, 1934.

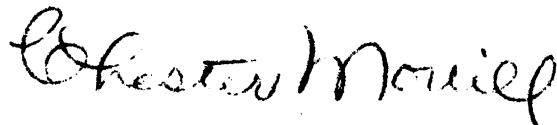
SUBJECT: Extension of Time in Certain Cases in Which
Member Banks May Comply with a Condition of
Membership Requiring the Holding Company
Affiliate to Obtain a Voting Permit.

Dear Sir:

There is inclosed for your information a copy of a letter dated June 22, 1934, to the Federal Reserve Agent at Boston with reference to the procedure to be followed in cases where banks controlled by a holding company affiliate have been admitted to membership in the System, subject to a condition of membership that within a specified time a voting permit be obtained by the holding company affiliate, and, due to the lack of the necessary current information, it will not be possible to consider the granting of a general permit before the expiration of the specified period.

If there are any similar cases in your district, please be guided by the instructions in the attached letter.

Very truly yours,



Chester Morrill,
Secretary.

C O P Y

X-7928-a

June 22, 1934.

Mr. Frederic H. Curtiss,
Federal Reserve Agent,
Federal Reserve Bank of Boston,
Boston, Mass.

Dear Mr. Curtiss:

Reference is made to your letter of June 14, 1934, regarding the four trust companies which are controlled by _____, _____, _____, and have been admitted to membership in the Federal Reserve System since the first of the year, subject in each case to the following condition of membership, among others:

"Within six months from the date of admission of such bank to membership, _____, shall obtain from the Federal Reserve Board, pursuant to the provisions of Section 5144 of the Revised Statutes, as amended, a voting permit entitling it to vote for all purposes the shares of stock, now or hereafter owned or controlled by it, of such bank and of all its other subsidiary member banks."

You state that it will be some months before the simultaneous examination can be made of the holding company and the various subsidiary banks, and inasmuch as the holding company has previously filed an application and there is nothing that the subsidiary banks can do at this time to expedite the matter, you ask whether it will be necessary for the banks to request extensions of time in which to comply with this condition of membership. In this case and in any similar case where the holding company affiliate has filed an application for a voting permit and the delay in acting upon the application is not attributable to the holding company affiliate or its subsidiary

-2-

X-7928-a

banks, the Board, without formal application on the part of the member banks, will extend until December 1, 1934, the time within which the required voting permit shall be obtained, and you may so advise the various banks in your district which have been admitted to membership subject to a condition requiring the holding company affiliate to obtain a voting permit within a specified time prior to December 1, 1934. It is understood, of course, that simultaneous examinations of the various holding company affiliates and their subsidiaries will be undertaken as soon as arrangements can be effected, and that the necessary data will be promptly submitted to the Board in order that action may be taken upon the voting permits as soon as it is practicable to do so.

Please report to the Board any case in which you advise a member bank of such extension.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

360

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7929

June 23, 1934.

SUBJECT: Code Word Covering New Issue
of Treasury Bills.

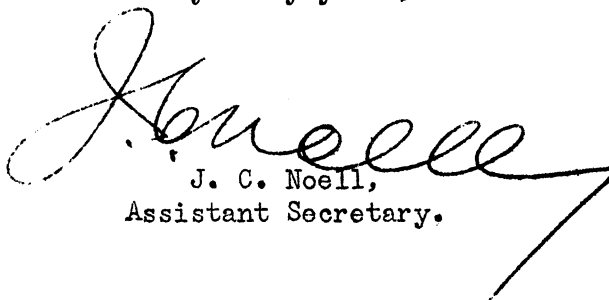
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXLUST" - Treasury Bills to be dated June 27, 1934, and to mature December 26, 1934.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLURE" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

FEDERAL RESERVE BOARD

361

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7930

June 23, 1934.

SUBJECT: Publication of Reports of Affiliates
of State Member Banks.

Dear Sir:

Under the terms of Section 9 of the Federal Reserve Act, each State bank which is a member of the Federal Reserve System is required to publish the reports of each of its affiliates and holding company affiliates other than member banks under the same conditions as govern its own condition reports. In view of the fact, however, that there is no provision in the Federal law requiring the publication of condition reports submitted by State member banks to the Federal Reserve Board, the Board has ruled that a State member bank must publish the reports of its affiliates only if publication of the member bank's own condition report is required under State law, and that the conditions governing the method and time of publishing the reports of such affiliates depend upon the requirements of State law governing the method and time of the publication of such bank's own condition reports.

Inasmuch as calls for condition reports by State banking authorities frequently do not correspond in number or in date with calls issued by the Federal Reserve Board, the following rules should be observed in connection with the publication of the reports of affiliates (including

- 2 -

holding company affiliates) of State member banks:

1. If a call requiring a report of condition of a State member bank is made by the supervisory authorities of a State as of the same date as a call by the Federal Reserve Board for reports of State member banks and affiliates, and if publication of the report of condition of such State member bank rendered to the State authorities is required pursuant to State law, the report of each affiliate and holding company affiliate (other than a member bank) of such State member bank rendered pursuant to the Board's call should be published in the same newspaper and on the same date as the report of condition of the State member bank rendered pursuant to the call by the State authorities.
2. In the event that the supervisory authorities of a particular State do not make a call for the reports of condition of banks incorporated under the laws of such State as of the same date as the Board's call for the reports of State member banks and affiliates, the report of each affiliate and holding company affiliate (other than a member bank) of a member bank incorporated under the laws of such State which is rendered pursuant to the Board's call should be published in the same newspaper and on the same date as the report of condition of such State member bank rendered pursuant to the next succeeding call of the supervisory authorities of the State, except as stated in paragraphs 3 and 4 hereof.
3. If two or more calls for the reports of State member banks and affiliates are made by the Board without an intervening or coincident call by the supervisory authorities of a particular State, each State

- 3 -

member bank in such State should publish, along with the report of its condition rendered pursuant to the next succeeding call of the State authorities and published pursuant to the requirements of State law, only the reports of its affiliates and holding company affiliates (other than member banks) rendered pursuant to the call by the Federal Reserve Board next preceding the call by the State authorities.

4. If two or more calls for the reports of State member banks and affiliates are made by the Federal Reserve Board without an intervening call by the supervisory authorities of a particular State, but a call by such State authorities is made as of the same date as the last of such calls by the Board for the reports of State member banks and affiliates, each State member bank in such State should publish, along with the report of its condition rendered pursuant to said call by the State authorities and published pursuant to the requirements of State law, only the reports of its affiliates and holding company affiliates (other than member banks) rendered pursuant to the last of such calls by the Federal Reserve Board.

5. Regardless of the date of publication, published reports of affiliates and holding company affiliates of State member banks must always be as of the date of the Board's call, and not as of the date of the State call.

In order to insure that reports of affiliates and holding company affiliates are published under the same conditions as govern the publication of condition reports of State member banks submitted to State authorities, it is requested that counsel for your bank procure complete

- 4 -

information as to the State laws and regulations governing such publication, and that a statement thereof accompanied by a copy of the laws and regulations be furnished the Board. It is also requested that the Board be advised currently of changes in the State laws and regulations governing publication of condition reports by State banks, and that the Board's attention be called to the failure of any State member bank to have reports of its affiliates and holding company affiliates (other than member banks) published in accordance with the conditions governing the publication of condition reports of State banks submitted to State authorities.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill". The signature is written in dark ink and is positioned below the typed name.

Chester Morrill,
Secretary.

TO ALL F. R. AGENTS.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

June 25, 1934

For release at 3:00 p. m.

PERMIT TO MEMBER BANKS RELATING TO PARTICIPATION IN UN-
DERWRITING AND DEALING IN MUNICIPAL AND OTHER SECURITIES.

Section 32 of the Banking Act of 1933 prohibits correspondent relationships between member banks of the Federal Reserve System and dealers in securities unless there is a permit therefor issued by the Federal Reserve Board. Such correspondent relationships include regular associations between member banks and dealers in securities in connection with underwriting and dealing in securities, and Section 32 does not contain any exception based upon the kind of securities underwritten or dealt in. However, paragraph "Seventh" of Section 5136 of the Revised Statutes of the United States as amended by the Banking Act of 1933, specifically excepts certain municipal and other obligations from the restrictions upon underwriting and dealing in securities by national banks contained in such Section 5136. These restrictions and the exceptions thereto are also made applicable to State member banks by the provisions of Section 9 of the Federal Reserve Act as amended.

The Federal Reserve Board is authorized by Section 32 to issue permits for correspondent relationships between member banks and dealers whenever it finds that it is not incompatible with the public interest to do so, and the Board has decided that it is not incompatible

with the public interest to grant permits authorizing correspondent relationships between member banks and dealers in securities in connection with underwriting and dealing in the securities exempted from the restrictions contained in Section 5136 of the Revised Statutes.

Heretofore, the Federal Reserve Board has followed the practice of issuing individual permits covering such correspondent relationships, but in order to relieve member banks and dealers from the burden of preparing and filing formal applications in cases of the kind herein described, the Board has granted a blanket permit under Section 32 for the period until December 1, 1934, authorizing correspondent relationships between any member bank or banks and any dealer or dealers in securities in connection with underwriting and dealing in those securities excepted from the restrictions contained in Section 5136 of the Revised Statutes, namely: obligations of the United States, general obligations of any State or of any political subdivision thereof, obligations issued under authority of the Federal Farm Loan Act, obligations issued by the Federal Home Loan Banks, and/or obligations issued by the Home Owners' Loan Corporation. Each member bank which exercises the privilege granted by such permit shall furnish to the Federal Reserve Agent at the Federal reserve bank in the district in which the member bank is located, such information concerning its operations under this permit as the Federal Reserve Board may require.

INTERPRETATION OF BANKING ACT OF 1933

367

(Copies to be sent to all Federal reserve banks.)

June 23, 1934.

SARGENT
SAN FRANCISCO

Your wire June 20 requesting advice whether State member bank located in place of less than 3000 population with capital of \$40,000 may reduce its capital \$20,000 as part of a plan whereby its capital will be again increased in an equal amount through sale of \$20,000 of preferred stock to Reconstruction Finance Corporation, even though the resulting capital will not be equal to the amount required for organization of a national bank. Board in a few cases involving similar circumstances has taken position that since purposes of Federal Reserve Act would be substantially complied with it would raise no objection to the reduction of capital provided that after reduction and increase by sale of additional stock capital of bank was at least equal to amount of its capital prior to such reduction and provided that such reduction was valid under State law. Each case of this kind involves the question whether purposes of Federal Reserve Act are being substantially complied with and should be submitted to Board for consideration with detailed information regarding plan of rehabilitation, advice as to validity of reduction under State law and recommendation by Federal Reserve Agent. In specific case referred to Board on basis of information submitted will raise no objection to proposed reduction provided that none of funds released by such reduction are returned to share holders but are used to eliminate any undesirable assets in bank, that reduction is valid under State law and that it meets with your approval.

(Signed) Chester Morrill

MORRILL

June 25, 1934.

FOR THE CONFERENCE OF
CHAIRMEN AND FEDERAL RESERVE AGENTS

* * *

Your Committee appointed to explore the matter of uniform charges, desires to submit the following report.

Correspondence has been conducted with each Federal reserve agent to get his viewpoint relative to the matter, and to obtain statistical data covering the operations of each examining division.

Two members of the Committee held a conference in Boston on June 4, at which time the matter was discussed at length. The matter was also informally discussed with members of the staff of the Federal Reserve Board.

After considering the matter fully, the Committee has arrived at the following conclusions:

1. At least one regular examination of each State member bank, including its trust department, shall be made during each calendar year by examiners for Federal reserve banks either independently or jointly with State banking authorities. Under certain circumstances more than one such examination annually may be desirable, in which event the Federal reserve agents should be empowered to have an additional examination made. A copy of each report of examination shall be furnished to each State member bank examined.
2. Uniform charges covering costs of examinations of State member banks shall be made against each bank examined.
3. The costs shall include salaries, transportation and sustenance from the time examiners and assistants leave headquarters, or the last post of duty, until they return to headquarters or arrive at the next post of duty. The costs shall also cover salaries of examiners, assistants and other employees in preparing and typing reports of examination of State member banks.
4. No charge should be made at this time for examinations in connection with applications for membership in the Federal Reserve System.

In view of the new responsibilities placed on the Federal reserve agents by the Banking Act of 1933, the Committee feels that it is highly desirable that the foregoing procedure be adopted.

Respectfully submitted.

COMMITTEE ON UNIFORM EXAMINATION CHARGES:

John S. Wood, Chairman,
Frederic H. Curtiss,
J. Herbert Case.

FEDERAL RESERVE BOARD

369

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7936

June 26, 1934.

SUBJECT: Examinations and Reports Under
Section 21 of the Banking Act
of 1933.

Dear Sir:

Section 21 of the Banking Act of 1933, which by its
terms became effective June 16, 1934, reads in part as follows:

"Sec. 21(a) After the expiration of one year
after the date of the enactment of this Act it
shall be unlawful -

* * * * *

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a financial institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality."

- 2 -

The Federal Reserve Board has given consideration to a number of questions arising under this section and presents its views herein for your information.

In any case in which a person, firm, corporation, association, business trust or other similar organization shall submit or offer to submit to examination in accordance with the provisions of the statute, such submission or offer should be in writing and signed by such person or by a duly authorized representative of such firm, corporation, association, business trust or other similar organization and his authority to execute such writing should be properly evidenced. The costs of such examinations should be paid by the respective persons or organizations examined and the Federal Reserve Board suggests that, prior to the making of an examination under the provisions of Section 21, an agreement in writing to pay the costs of such examination be obtained from the person or organization to be examined. Such agreement, of course, may be so worded as to be applicable to all examinations which may be made subsequently under the authority of that section. In view of the provisions of the section, examinations of such persons or organizations should be made at least twice in each calendar year and oftener if considered necessary.

In order that the fees charged for examinations made under the provisions of Section 21 may be uniform, it is believed that the Federal reserve banks should make charges for examinations under the section on substantially the same basis as that which will be

- 3 -

used by the Comptroller of the Currency; and it is suggested, accordingly, that Federal reserve banks charge for each examination made under the provisions of Section 21 the actual expenses thereof, including salaries, subsistence and transportation costs of the examiners, together with a charge of \$10 per day for each day of the examination to cover overhead expenses and the cost of typing the report of examination.

It is the view of the Board, that, in a case in which a person, firm, corporation, association, business trust, or other similar organization of the kind described in the statute submits or offers to submit to periodic examination by the Federal reserve bank of the district and does not submit or offer to submit to such examination by the Comptroller of the Currency, the Federal reserve bank should make the examinations prescribed by the statute.

On the other hand, if any such person or organization submits or offers to submit to examination by the Comptroller of the Currency and does not submit or offer to submit to examination by the Federal reserve bank of the district, the Federal reserve bank is under no responsibility to make examinations of such person or organization.

If a Federal reserve bank is notified that a person or organization submits or offers to submit to periodic examination either by the Comptroller of the Currency or by the Federal reserve

- 4 -

bank of the district, a letter should be addressed by the bank to such person or organization acknowledging receipt of such notification and requesting that such person or organization indicate a preference as to whether examinations should be made by the Comptroller or by the Federal reserve bank. It is understood that the Comptroller of the Currency is following a similar practice when he is notified that a person or organization submits or offers to submit to examination either by the Comptroller or by the Federal reserve bank of the district. If such person or organization, pursuant to such a request from the Federal reserve bank or from the Comptroller of the Currency, indicates a preference as to the authority to make the examination, the examination should be made by the authority thus indicated as preferred. With respect to such persons or organizations, if any, which shall not indicate a preference as requested, it is the view of the Board and it is understood that the Comptroller of the Currency concurs, that the work of examining such persons or organizations should be divided in an equitable manner between the Federal reserve bank and the Comptroller of the Currency on such basis as may be agreed upon by representatives of the bank and the Chief National Bank Examiner of the district in accordance with the practical considerations involved and their mutual convenience. All examinations of any one person or organization should be made from time to time by the same authority, i. e., either by the Federal reserve bank or by the Comptroller of

- 5 -

the Currency, and it would seem undesirable, except where it is necessary for special reasons, when one or more examinations of a person or organization have been made by the Federal reserve bank to change the practice so that the Comptroller of the Currency in lieu of the Federal reserve bank will then make the examinations of such person or organization, or vice versa.

It will be observed that, under the terms of the section, reports of condition of persons and organizations to which the statute is applicable are to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality; and, accordingly, such reports of condition, in all cases and without regard to the authority which may make the examinations referred to in Section 21, should be made to the Comptroller of the Currency and published in the same manner as reports of condition of national banks. It is requested that each Federal reserve bank advise the Comptroller of the Currency of the names and addresses of all persons and organizations which submit or offer to submit to examination by the Federal reserve bank or either by the Federal reserve bank or by the Comptroller of the Currency, in order that he may notify such persons and organizations of calls for reports of condition and may furnish them forms for the rendering of such reports. It is understood that the office of the Comptroller of

- 6 -

the Currency will furnish to each Federal reserve bank a copy of each such report of condition of each person and organization which has submitted to examination by such Federal reserve bank.

Inasmuch as examinations required under the provisions of Section 21 of the Banking Act of 1933 are to be made by the Federal reserve bank or by the Comptroller of the Currency and no duties are placed upon the Federal Reserve Board in this connection by the statute, for the present, at least, it will not be necessary to submit to the Federal Reserve Board copies of reports of such examinations or analyses thereof. However, the Board requests that you report to it promptly the names of all persons or organizations which submit or offer to submit to examinations by your Federal reserve bank or either by your bank or by the Comptroller of the Currency, when examinations are made of such persons or organizations, and any other information in this connection which you feel should be furnished to the Board.

While the Federal Reserve Board does not feel that it is necessary under the law that Federal reserve banks or the Federal Reserve Agents make an investigation in order to determine what persons or organizations in their respective districts may be subject to the provisions of Section 21 of the Banking Act of 1933, the Board suggests that each Federal reserve bank take such steps as it may consider best adapted to the purpose to bring the provisions of Section 21 to the attention of persons and organizations in its district which there is reason to believe may be affected by the

- 7 -

section. A statement released to the press or a circular transmitted directly to such persons and organizations, or both if considered advisable, may be used for this purpose. If such a circular is transmitted to any person or organization, it should be stated that the Federal reserve bank is not thereby undertaking to express an opinion as to the applicability of the section to such person or organization but is merely inviting attention to the matter for consideration. There is inclosed herewith for your information a copy of the Board's statement for the press on this subject and you will note stated thereon the date and time for release of this statement. If you decide to issue a statement to the press in this connection, it is suggested that, in order to avoid the possibility of confusion in the matter, you use the Board's form of release inclosed herewith, and that you issue such statement on the date and at the time of release indicated on the Board's statement.

With regard to questions which may arise as to whether persons or organizations or stated transactions fall within the scope of Section 21 or are affected by its provisions, attention is invited to the Board's letter of December 16, 1933 (X-7729), in which it is stated that the section does not give to the Federal Reserve Board any jurisdiction or discretion regarding the matters with which it deals and that the Board does not feel that it would be appropriate for it to undertake to express opinions upon questions of this kind. As indicated in that letter, the section provides a penalty of fine

- 8 -

or imprisonment for any violation of its provisions and the determination of the question whether a person or organization should be prosecuted for such violation is a matter entirely within the jurisdiction of the Department of Justice. The section does not give to the Comptroller of the Currency, the Federal reserve bank or the Federal Reserve Board any discretion or power to require a person or organization to submit to examination or to determine what persons or organizations should submit to examination.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO CHAIRMEN OF ALL F. R. BANKS.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in Morning Papers
of June 30, 1934.

EXAMINATIONS AND REPORTS UNDER SECTION 21 OF THE
BANKING ACT OF 1933.

Section 21 of the Banking Act of 1933, which by its terms
became effective June 16, 1934, reads in part as follows:

"Sec. 21(a) After the expiration of one year
after the date of the enactment of this Act it
shall be unlawful -

* * * * *

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a financial institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality."

The Federal Reserve Board has given consideration to a number
of questions arising under this section and has expressed the following
views thereon.

- 2 -

In any case in which a person, firm, corporation, association, business trust or other similar organization shall submit or offer to submit to examination in accordance with the provisions of the statute, such submission or offer should be in writing and signed by such person or by a duly authorized representative of such firm, corporation, association, business trust or other similar organization and his authority to execute such writing should be properly evidenced. The costs of such examinations should be paid by the respective persons or organizations examined. In view of the provisions of the section, examinations of such persons or organizations should be made at least twice in each calendar year and oftener if considered necessary.

It is the view of the Board, that, in a case in which a person, firm, corporation, association, business trust, or other similar organization of the kind described in the statute submits or offers to submit to periodic examination by the Federal reserve bank of the district and does not submit or offer to submit to such examination by the Comptroller of the Currency, the Federal reserve bank should make the examinations prescribed by the statute.

On the other hand, if any such person or organization submits or offers to submit to examination by the Comptroller of the Currency and does not submit or offer to submit to examination by the Federal reserve bank of the district, the Federal reserve bank is under no responsibility to make examinations of such person or organization.

It will be observed that, under the terms of the section, reports of condition of persons and organizations to which the statute is applicable

- 3 -

are to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality; and, accordingly, such reports of condition, in all cases and without regard to the authority which may make the examinations referred to in Section 21, should be made to the Comptroller of the Currency and published in the same manner as reports of condition of national banks.

With regard to questions which may arise as to whether persons or organizations or stated transactions fall within the scope of Section 21 or are affected by its provisions, attention is invited to the fact that the section does not give to the Federal Reserve Board any jurisdiction or discretion regarding the matters with which it deals, and the Board does not feel that it would be appropriate for it to undertake to express opinions upon questions of this kind. The section provides a penalty of fine or imprisonment for any violation of its provisions and the determination of the question whether a person or organization should be prosecuted for such violation is a matter entirely within the jurisdiction of the Department of Justice. The section does not give to the Comptroller of the Currency, the Federal reserve bank or the Federal Reserve Board any discretion or power to require a person or organization to submit to examination or to determine what persons or organizations should submit to examination. In the circumstances, as indicated in the statement published in the Federal Reserve Bulletin for January, 1934, at page 41, an expression of opinion by the Federal Reserve Board on the question whether the section is violated would

- 4 -

not afford protection from prosecution if the Department of Justice upon consideration of the matter should take the position that a person or organization had violated the statute and should feel it necessary to prosecute for such violation.

X-7938

STATEMENT FOR THE PRESS

For immediate releaseFederal Reserve Board
June 26, 1934.

On June 25 and 26 the Federal Reserve Board held conferences with the Chairmen and Governors of the Federal Reserve Banks. At these conferences there was full discussion of credit conditions throughout the country. Special consideration was given to the new powers granted to the Federal Reserve System by the Securities Exchange Act and the amendment to the Federal Reserve Act authorizing the reserve banks to make loans for the purpose of providing working capital to industry.

Reports were made of progress in the study of Stock Exchange operation and of regulations to be adopted relating to marginal requirements for loans made for the purpose of purchasing or carrying securities. Since the power of the Board relative to margins does not become effective until October 1 regulations covering this matter will not be published for several weeks.

Particular attention was devoted at the conferences to loans to supply working capital for industry. Each reserve bank reported that progress had been made in setting up an organization to make such loans and in selecting an advisory committee of industrialists to help in this work. The reserve banks reported that

they are now ready to receive applications for working capital loans from industrial concerns.

The total amount of such loans authorized by Congress is approximately \$280,000,000 and it was expected that the needs of small enterprises would be given primary consideration in making such loans.

A regulation of the Board covering loans for industrial purposes was approved by the conference and will be promptly published.

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7939

June 27, 1934.

SUBJECT: Code Word Covering New Issue
of Treasury Bills.

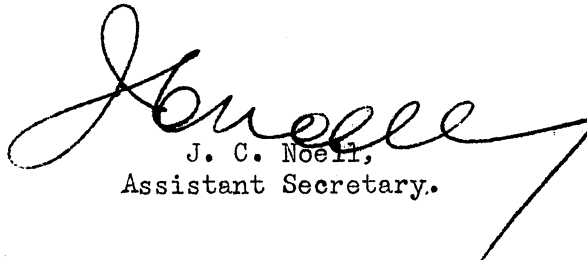
Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the following code word has been designated to cover a new issue of Treasury Bills:

"NOXLUT" - Treasury Bills to be dated July 3, 1934, and to mature January 2, 1935.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOXLUST" on page 172.

Very truly yours,



J. C. Noell,
Assistant Secretary.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Released for publication
for morning papers
June 28, 1934

June 27, 1934.

The Federal Reserve Board has prepared, approved and issues here-
with Regulation S, Series of 1934, which deals with loans by Federal re-
serve banks for industrial purposes. The regulation analyses the provi-
sions of the law and prescribes the procedure to be followed in applying
for such loans. The regulation has been considered at a conference of the
Board with the Chairmen and Governors of the twelve Federal Reserve Banks
and has been approved by that conference.

The need for this character of loans has become increasingly apparent
in recent months. Many small industrial establishments have suffered
severe capital losses during the depression and are now short of working
capital. A survey made by the Federal Reserve Board through the Reserve
Banks and the chambers of commerce showed that this condition is wide-
spread and is not being met by existing facilities. Small industries
find it difficult at present to obtain their requirements of working cap-
ital through the capital market, while commercial banks and other financial
institutions, in many cases, are hesitant about undertaking on their single
responsibility the risks involved in making relatively long-time loans
for working capital purposes.

Recognizing the need of these industrial and commercial businesses
for additional working capital to enable them to continue or resume normal
operations and to maintain employment or provide additional employment,

-2-

X-7940

Congress has granted the Federal reserve banks broad powers to enable them to provide such working capital, either through the medium of other banks, trust companies and other financing institutions or, in exceptional circumstances, directly to such commercial and industrial businesses. It is believed that the facilities thus afforded will aid in the recovery of business, the increase of employment and the general betterment of conditions throughout the country.

The Federal Reserve Banks are authorized to have outstanding such loans in an aggregate amount not exceeding approximately \$280,000,000, but additional loans may be made out of funds received through repayment of outstanding loans, so that the aggregate amount of credit to be extended under this authority may be several times as large as the initial amount. These loans are to be made by the Federal Reserve Banks in their own districts and applications for such loans should be directed to these banks. The Federal Reserve Board in its regulation gives authority to all Federal reserve banks to make such loans without referring them to Washington for approval.

In making these loans the Federal Reserve Banks will have the aid of advisory committees consisting of five active industrialists resident in the district. Progress has been made in the selection of such committees, and the banks are now ready to consider such loans.

The reserve banks are authorized to make loans or advances or commitments for such loans or advances to financing institutions, which in

turn advance the funds for working capital purposes to established industrial or commercial enterprises. Maturity of the loans must not exceed five years and the financing institutions must assume at least 20 per cent of the risk of any loss that may occur.

In exceptional circumstances the Federal Reserve Banks may also make direct advances to industrial or commercial undertakings that are not able to obtain the required funds from usual banking sources on reasonable terms. It is expected, however, that the Federal Reserve Banks will not compete with local banks, but rather will assist and cooperate with them in meeting local requirements for working capital. The Federal Reserve Board and the Federal Reserve Banks are confident that the banks of the country will join with the system in this endeavor to hasten economic recovery.

At the recent conference the Governors and Chairmen of the twelve reserve banks all reported that there was need for this class of loans in their districts and undertook to set up promptly the necessary machinery for considering applications for such loans and to carry out vigorously the purposes of this additional power of the system to serve commerce and industry. The reserve banks will undertake through the advisory committees of industrialists to canvass the situations in their districts with a view to determining where loans for working capital purposes can be made in the public interest to industrial and commercial enterprises.

It was agreed that these loans would be made chiefly to small and

medium-size enterprises, which have the greatest need for such assistance, to whose needs primary consideration was given by the Congress, and in the improvement of whose condition the Reserve system under this law is primarily concerned.

FEDERAL RESERVE BOARD

388

WASHINGTON

X-7941

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 27, 1934.

SUBJECT: Assessment for General Expenses of the
Federal Reserve Board, July 1 - December
31, 1934, and for Other Purposes.

Dear Sir:

There is inclosed herewith a copy of a resolution adopted by the Federal Reserve Board levying an assessment upon the various Federal reserve banks in an amount equal to six-tenths of one per cent (.006) of the total paid-in capital stock and surplus of the Federal reserve banks as of the close of business June 30, 1934, to defray the estimated expenses and salaries of the members and employees of the Board from July 1 to December 31, 1934, together with \$1,000,000 to be applied upon the costs of the purchase of a site and the erection of a building to provide suitable and adequate quarters for the Federal Reserve Board.

The resolution specifies the manner in which the assessment shall be deposited with the Federal Reserve Bank of Richmond.

Very truly yours,



O. E. Foulk,
Fiscal Agent.

Inclosure.

TO CHAIRMEN OF ALL F. R. BANKS.

RESOLUTION LEVYING ASSESSMENT.

WHEREAS, Section 10 of the Federal Reserve Act, as amended, contains the following provisions:

"The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and such assessments may include amounts sufficient to provide for the acquisition by the Board in its own name of such site or building in the District of Columbia as in its judgment alone shall be necessary for the purpose of providing suitable and adequate quarters for the performance of its functions. After approving such plans, estimates, and specifications as it shall have caused to be prepared, the Board may, notwithstanding any other provision of law, cause to be constructed on the site so acquired by it a building suitable and adequate in its judgment for its purposes and proceed to take all such steps as it may deem necessary or appropriate in connection with the construction, equipment, and furnishing of such building. The Board may maintain, enlarge, or remodel any building so acquired or constructed and shall have sole control of such building and space therein.

" * * * * *

"The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, * * * and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys."

- 2 -

WHEREAS, it appears from a consideration of the estimated expenses of the Federal Reserve Board for the six months' period beginning July 1, 1934 and of the amounts which in the judgment of the Board may be needed during such period to provide for the costs, or part thereof, of the acquisition of a site and erection of a building thereon suitable and adequate for the Board's quarters, that it is necessary that a fund equal to six-tenths of one per cent (.006) of the total paid-in capital stock and surplus of the Federal reserve banks be created for such purposes, exclusive of the cost of engraving and printing of Federal reserve notes;

NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That:

(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to six-tenths of one per cent (.006) of the total paid-in capital and surplus of each such bank at the close of business on June 30, 1934.

(2) Twenty and three-fourths per cent of such assessment shall be paid in on July 2, 1934, twenty and three-fourths per cent thereof shall be paid in on September 1, 1934, and the remainder shall be paid at such times and in such amounts as the Board may call for the payment thereof during such six months period beginning July 1, 1934.

(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Gold Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Federal Reserve Board on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Federal Reserve Board on the dates as above provided.

(TENTATIVE DRAFT)

REGULATION S, SERIES OF 1934.

Report of Committee appointed by Conference of Governors and
Agents, June 26, 1934.

.....

The Committee understood its function to be not only that of giving consideration to tentative draft of Regulation S, Series of 1934, but also to exchange ideas and make recommendations and suggestions with reference to the operations of the Federal Reserve Banks touching Section 13b of the Federal Reserve Act as amended by the Act of June 19, 1934.

At the outset the Committee agrees thoroughly with the statements made by Governor Black at the conference yesterday with respect to the amendment to Section 13b. It is the feeling of the Committee that each of the Federal Reserve Banks should endeavor in a sincere and earnest way to make loans under the amendment and in every way, so far as possible, carry out the purposes of Congress as set forth in the new legislation.

Upon a casual consideration, it might be felt that the proposed Regulation S is fairly long but the Committee is of the opinion that it is not unnecessarily so. Much of the regulation is a re-statement of the law, made necessary by the requirement that the Board adopt suitable and proper regulations and thus in a manner vitalize or give effect to the provisions of the amendment. In addition to this it should be borne in mind that the regulation when adopted will not only be furnished to member banks but as well to nonmember banks and other financial concerns and to prospective applicants for direct loans under the provisions of the new law.

- 2 -

It, therefore, seems entirely proper for the regulation to contain a full and comprehensive statement not only of the pertinent provisions of the amendment but also of the procedure essential to the proper filing and disposition of applications for loans. In other words, it is desirable, more than ordinarily is the case, for the regulation to be informative as well as regulatory.

It is the judgment of the Committee that the proposed regulation is freer from definition and less restrictive upon Federal Reserve Banks in administering the amendment than perhaps is any previous regulation issued by the Federal Reserve Board. For example, such terms as "financial institutions", "working capital" and "established commercial business" are not defined. While, of course, in a general way there must be some uniformity in the application of these terms to specific transactions, nevertheless, it is felt by the Committee that an attempt to define them would mean only a limitation upon the ability of the Federal Reserve Banks to carry out the broad intent of Congress. It is quite important that we proceed with the least possible delay in making the loans provided for in the new Act and, therefore, it seems inexpedient to us, in the light of the different conditions and laws prevailing in the several districts, to hamper the operations of the Federal Reserve Banks in respect to the new regulations by technical definitions and interpretations.

The attention of the Conference is called to the fact that not only under the terms of the law but as provided in the regulations (see page 2) it is provided in connection with loans made to financial institutions that

- 3 -

at least 20% of the loss which may be sustained on an obligation purchased by a Federal Reserve Bank shall be borne by the financing institution selling or transferring the same. It will thus be seen that it is within the power of the Federal Reserve Banks to require the guaranty of a percentage greater than 20% in connection with any obligation acquired from a financial institution.

Reference is made to page 3 of the tentative draft wherein it is provided that an application for a loan, purchase or commitment must be made on a form furnished for that purpose by the Federal Reserve Bank. It is the thought of the Committee that this is an exceedingly wise provision in that it leaves each Federal Reserve Bank free to provide its own forms, and particularly is it appropriate under the circumstances by reason of the fact that preparation of forms by the Federal Reserve Board would tend to delay the making of such loans, purchases or commitments at the present time. Each Federal Reserve Bank provides its member banks with applications for rediscounts in such form as it may feel desirable and proper. In other words, there is no uniformity throughout the System in the form of applications for rediscount. In like manner, as stated, we think it entirely proper for each Federal Reserve Bank to determine the nature and provisions of the applications to be used in connection with loans under the amendment; and this applies also to applications for direct loans under the terms of the Act.

The proposed regulation, in harmony with the amendment, provides (page 4) that among the things a Federal Reserve Bank shall ascertain to

- 4 -

its satisfaction, is that obligations have been or will be entered into for the purpose of obtaining working capital for a business located in its district. We feel that this is a proper provision; however, it is recognized that there may be some concerns which have businesses and offices in more than one district. Where a question may arise in connection with this matter and some uncertainty may exist as to the proper district in which an application may be filed, the Committee feels that satisfactory disposition can be made of it by conference and agreement with the Federal Reserve Banks in other district or districts where the applicant may have an office or offices.

The Committee gave very careful consideration to page 5, dealing with the determination of losses in connection with those obligations acquired from financing institutions. It was at first felt by some members of the Committee that a loss should be deemed to have occurred whenever the obligation acquired from a financial institution shall have become in default. A discussion of the subject developed the unanimous thought that the provision in this respect set forth in the regulation is the better and more satisfactory way to determine and fix the loss. There was some feeling that perhaps the clause "after having obtained the approval of the Federal Reserve Board" might well be eliminated. The decision was finally reached that it would be wise to have the Federal Reserve Board, an independent authority, to approve the decision of the Board of a Federal Reserve Bank, inasmuch as such action on the part of the Federal Reserve Board would tend to be more convincing to the financial institution involved that full consideration had been given to the loss status of the obligation.

- 5 -

No unusual delay should be experienced in securing action of our own Boards of Directors and of the Reserve Board. Members of the staff present informally stated to the Committee that the Federal Reserve Board would probably not object to the immediate writing off of a loss so determined rather than waiting until the end of the year as has been the practice with respect to other losses sustained by Federal Reserve Banks.

Attention is called to page 6 of the tentative draft. As in the case of other words and phrases mentioned in the preceding part of this report, the regulation contains no definition of "exceptional circumstances", "reasonable basis" and "usual sources". We believe that the Board's staff has correctly concluded that in the proper administration of the amendment to the Act the definition of these terms can well be left to each Federal Reserve Bank, at least for the time being, it being understood in that connection that the Federal Reserve Board at some future date, in the light of the experience of the Federal Reserve Banks, can amend the regulations so as to define those terms if it should deem it wise and expedient so to do.

The attention of the Conference is called to page 9 of the regulation, Section IV - INDUSTRIAL ADVISORY COMMITTEES. It is the judgment of the Committee that sub-section (d) of Section 13b contemplates that the Federal Reserve Board shall itself fix a definite number of members of the Industrial Advisory Committee. In this connection we suggest that the maximum number of five be fixed by the Board and that the tentative draft of regulations be amended in that respect. It is our thought that a membership of five will give each Federal Reserve Bank an opportunity to secure representation from the various sections of its district as well as to have

- 6 -

representation on the Committee from a greater number of industries. It is also true that it would be easier to obtain a quorum with the membership placed at five than it would be with a lesser number.

The Committee recognizes that great care should be exercised in the selection of these Committees and it is felt that no two members of the Committee should come from the same industry, and that members of the Committee should not only be successful in their individual undertakings but should also have a reasonably broad knowledge of general business conditions and practices in the district and of industries and businesses with which they are not identified. It is not believed that it will be desirable to appoint, at least as to a majority of the members of the Committee, individuals identified with the larger industries of the districts. Men of that type oftentimes, even though well disposed, generally, might not have a particularly sympathetic attitude toward or interest in the smaller industrial units. Moreover, many of these individuals have been called upon to serve on various committees and engage in different civic activities to the point where they might not be interested in undertaking the discharge of the responsibilities of membership on the Committee; and, too, other duties might preclude them from attending the meetings of the Committee as regularly as would be desired. On the other hand, successful managers of the medium sized business units would not only feel some pride in their designation on the Committee but would no doubt attend more regularly and render better service.

The Committee is aware of the provision in the new Act to the effect that members of the Advisory Committee shall receive no compensation for their services but shall be reimbursed for their expenses, or in lieu thereof

- 7 -

shall be granted an allowance on a per diem basis. If the Federal Reserve Banks receive the number of applications which now seems probable they will receive, the work of the Committeemen will be somewhat burdensome. It is, therefore, hoped that the Federal Reserve Board will make as liberal provision in this connection as the law will warrant.

The Committee recommends that paragraph (a) of Section V - "Limitations on accommodations for any established industrial or commercial business" (see page 11) be stricken out. The Committee takes notice that the amendment to the Federal Reserve Act under discussion itself fixes no limit and it believes that for the present at least any provision with respect to the maximum amount loaned to one borrower should be omitted. As has been suggested in a preceding paragraph, conditions will vary quite substantially in the various districts. What might be a suitable maximum in one district might be out of line in another. Inasmuch as each loan will be passed upon by the Advisory Committee and subsequently by the Federal Reserve Bank itself, the Committee believes that the Board could well leave to the discretion of such Advisory Committee and the Federal Reserve Bank the maximum amount to be loaned to one applicant.

It was also felt by the Committee that the paragraph relating to "Limitations on Commitments" (paragraph (c), page 12) could also be left out of the regulations with the understanding that the Federal Reserve Board, at some future time and in the light of experience, could establish a limitation if circumstances should seem to warrant. As in the case of the maximum amount to be loaned to any one borrower, we believe that the Board can with confidence leave it to each Federal Reserve Bank to determine in each case the time limit of a commitment granted.

The Committee discussed at some length Section VI - "Rates of interest and discount" (see page 12) and reached the conclusion that the fixing of rates on transactions growing out of the new legislation comes within the scope of the general provisions of the Federal Reserve Act relating to interest rates; that is they shall be established by the Federal Reserve Banks and reviewed and determined by the Federal Reserve Board. So the Committee feels that Section VI is a proper provision of the regulation. It may be said, however, that some minor differences of opinion developed among the members of the Committee with respect to the application of rates in the several districts. One member of the Committee thought that perhaps some preferential rate should be given to paper purchased from a member bank. The view was expressed by another member that the rates should not be sufficiently attractive to bring about a state of competition with member banks. The opinion was also expressed that it might be desirable to permit different rates within the same district to apply to the varying types of loans from the standpoint of credit quality and amount, and particularly having in view the general level of rates obtaining in the locality of the borrower. The Committee feels, however, that through the medium of the Federal Reserve Board as final authority in the matter, equitable and proper rates can be established for the several districts without undue delay or inconvenience.

We recommend to the Conference the approval of the tentative draft of Regulation S except insofar as amendments or changes are herein suggested.

Respectfully submitted,

Geo. H. Hamilton
Oscar Newton
W. McC. Martin
W. S. Johns
J. S. Wood
J. N. Peyton
B. A. McKinney

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7943

June 28, 1934

Dear Sir:

The Attorney General of the United States has called the attention of the Federal Reserve Board to the fact that in a large number of cases which have been reported by it and the Comptroller of the Currency to the Department of Justice as possible violations of the provisions of section 22(g) of the Federal Reserve Act, it has been represented that the offending officers were not aware of such provisions or thought they were not to take effect until January 1, 1934, and has suggested that a circular be transmitted to all member banks, including national banks, advising of these provisions and the effective date of the statute. In the circumstances, if you have not already done so, it will be appreciated if you will transmit a circular of the kind suggested by the Attorney General to all member banks in your district.


The Attorney General desires to have the United States District Attorneys advised of the action taken in this matter, and you are, accordingly, requested to forward a copy of the circular you transmit to member banks with regard to section 22(g) to each

X-7943

-2-

of the United States District Attorneys in your district for his
information.

Very truly yours,

A handwritten signature in cursive script, reading "Chester Morrill". The signature is written in dark ink and is positioned above the typed name.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS

FEDERAL RESERVE BOARD

WASHINGTON

401

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7944

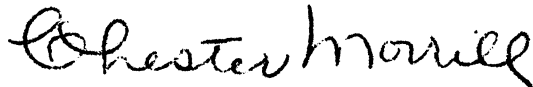
June 29, 1934.

SUBJECT: Depreciation in Securities
Held by State Member Banks.

Dear Sir:

There is attached for your information a copy of a letter addressed by the Board to the Federal Reserve Agent at the Federal Reserve Bank of Cleveland, with regard to depreciation in securities held by State member banks.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL F. R. AGENTS.

C O P Y

402
X-7944-a

June 29, 1934.

Mr. L. B. Williams,
Federal Reserve Agent,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Williams:

This refers to the recent telephone conversation between Mr. Fletcher, Assistant Federal Reserve Agent, and Mr. Paulger, Chief of the Board's Division of Examinations, with regard to the amount of depreciation in securities to be charged off or otherwise eliminated by State member banks. The Board's letter of December 9, 1933, X-7705, stated in detail the general policy of treating appreciation and depreciation in securities in connection with applications for membership, and the Board's letter of April 6, 1934, X-7848, expressed the opinion that State member banks should observe the standards prescribed for admission to membership in the System and that accordingly whenever possible a State member bank should charge off or otherwise eliminate not only all losses in loans and other assets and all depreciation in stocks and defaulted bonds, but also depreciation in all other securities except the four highest grades as defined in the letter.

The method of determining net depreciation to be eliminated after allowances for appreciation in other securities, as set forth in the Board's letter of December 9, 1933, is likewise applicable to the determination of depreciation in securities to be eliminated after the examinations of State member banks. There may be, of course, instances in which appreciation is in such volatile issues that conservative banking

Mr. L. B. Williams

- 2 -

practice would not consider such appreciation an appropriate offset to depreciation in remaining securities. Such cases, however, are left to the determination of the examiners and supervisory authorities.

In a recent letter, the Board has advised the Federal Reserve Agent in another district as follows:

"In this connection it has been noted that estimated losses as classified in the report of examination included \$89,086.30, the total amount of depreciation in lower grade securities, although the total net depreciation in the investment account amounted to only \$81,555.58 on account of appreciation in the higher grade bonds. In the circumstances, the Board believes that it would be appropriate to confine the request for elimination of depreciation in securities to the net depreciation in the entire account."

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

404

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7945

June 29, 1934.

Dear Sir:

The Federal Reserve Board has received printed copies of Public Act No. 362 (S.3025), extending for one year the temporary insurance provisions of Section 12B of the Federal Reserve Act, and 300 copies thereof are going forward to you today.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'S. R. Carpenter', with a large, sweeping flourish at the end.

S. R. Carpenter,
Assistant Secretary.

TO ALL F. R. AGENTS

(No copies to Governors and no extra copies to banks; one copy to Mr. Kitzmiller.)

A meeting of the Stock Exchange Act Committee was held in Washington on Monday, June 25, 1934, at 2:00 P. M.

PRESENT: Messrs. Norris, Seay, Geery, and Calkins,
Governors of the Federal Reserve Banks
of Philadelphia, Richmond, Minneapolis,
and San Francisco, respectively.
Messrs. Curtiss, Case, and Stevens, Federal
Reserve Agents at the Federal Reserve
Banks of Boston, New York, and Chicago,
respectively.

ALSO PRESENT: Messrs. Miller and Szymczak, Members of the
Federal Reserve Board
Mr. Goldenweiser, Director of the Board's
Division of Research and Statistics
Mr. Parry, Assistant Director of the Board's
Division of Research and Statistics

Governor Norris was unanimously elected chairman of the Committee.

The Committee then considered and acted upon the following matters:

Mr. Stevens suggested that consideration be given to papers on the following subjects:

1. Statement adopted by conference of Chairmen and Federal Reserve Agents of the Federal Reserve Banks at its meeting on May 2.
2. Confidential memorandum dated June 22, being a report of the preliminary work done in the Counsel's Office and the Division of Research and Statistics in preparation for administering the Act.
3. Confidential memorandum dated June 22, being a tentative draft of principles for the administration of Sections 7 and 8 of the Securities Exchange Act of 1934.
4. Report of the Legal Department regarding provisions of the Securities Exchange Act of 1934 affecting the powers and duties of the Federal Reserve Board.

Governor Norris moved that members of the Committee be furnished copies of the four papers above mentioned and that they be made a part of the record to be studied by the Committee.

Carried.

Mr. Stevens moved that Mr. Goldenweiser read his report (3 above) to the meeting for discussion and question.

Carried.

Mr. Goldenweiser read his report. Questions were asked from time to time and the various points raised were discussed.

After certain changes in wording, Mr. Stevens moved that, there being no objections, the Committee concur in the general principles contained in Mr. Goldenweiser's report as amended.

Carried.

Mr. Stevens recommended that the Committee report to the general meeting on Tuesday morning as follows:

"First, that it is felt that these regulations should be as simple as possible in general principles without attempting to cover all sorts of specific details; in other words, they should be brief and comprehensive and should be so drawn that a certain amount of latitude be granted administrative agencies.

"Secondly, that it is felt that these regulations need not be drawn at this time to cover all the purposes of the law; that such regulations be drawn now as were mandatory, and that from time to time other regulations may be drawn as a survey shows necessary or as come up from time to time.

"Thirdly, as these regulations are drawn tentatively by the Board, it is recommended that they be submitted to the Stock Exchange Act Committee for its consideration and suggestions before permanently adopted."

A discussion ensued, at the conclusion of which it was agreed that the Committee was not prepared at the present time to

make recommendations as extensive as those above suggested.

Mr. Case offered for consideration a report to be submitted to the general meeting Tuesday morning, which was discussed, revised, and approved in the following form:

"Your Committee has carefully reviewed paragraph by paragraph the draft of principles for the administration of Section 7 and 8 of the Securities Exchange Act of 1934 as prepared by Dr. Goldenweiser and with certain minor changes in wording, it is our view that this constitutes an outline of principles in which we are in hearty accord and will be most helpful to the Committee in its further study of this subject.

"In view of the importance of the subject and the additional amount of material information which it is desirable to secure and study, your Committee expressed the view that before it is able to make definite recommendations, it will be necessary for it to make a more thorough study of the subject. To this end your Committee will undertake to keep in close contact with Dr. Goldenweiser and other members of the Board's staff, and we are assured that Dr. Goldenweiser will continue to confer with the Committee, and the members of the Committee will submit recommendations from time to time, and make a later report."

Thereupon the meeting adjourned to reconvene at two o'clock tomorrow.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7947

June 30, 1934.

Dear Sir:

You will recall that at the recent Conference I suggested that a letter be written you regarding loans to industry.

I want first to thank you for your earnest consideration of the problems of the Conference and your evident spirit of cooperation.

We mainly considered the opportunity furnished and the responsibility entailed by this new law. You will observe

(1) That in exceptional circumstances when it appears to the satisfaction of your bank that an established industrial or commercial business located in your district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, your bank may make loans to, or purchase obligations of, such industrial or commercial business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with working capital.

(2) That your bank shall have power to discount for, or purchase from, any financing institution operating in your district obligations entered into for the purpose of obtaining working capital for any established industrial or commercial business; to make loans or advances to any such financing institution on the security of such obligations, or to make commitments with regard to such loans or advances on their security,

- 2 -

including commitments made in advance of the actual undertaking of such obligations. This provision requires participation by the financing institution.

Under these two provisions loans may be made direct to established industrial or commercial businesses or indirectly through financing institutions, such loans in either case to be for working capital.

As you know the Board has promulgated Regulation S covering such loans, which regulation was submitted to and approved by the Conference.

This regulation has been made as simple as possible so that it might materially aid and in no way hinder the making of these loans, and most of the questions discussed at the Conference are now covered by the law and the regulation.

The question of the personnel of the industrial advisory committee in your district is important. The regulation fixes the number at five. In my opinion the members of this committee should be men fully advised as to the industrial and commercial situation in your district, fully alive as to the needs of the smaller industrialist, and entirely sympathetic with the purpose of these loans. I also feel that three of the members should reside at your home office city so that a quorum may be immediately present for the consideration of applications.

The rate is also an important factor. I think this rate should be considered from the standpoint of the purpose embraced in this law and that purpose is to aid the smaller industrialist in the solution of his problems. I do not think that a rate can be uniform because of diverse

- 3 -

conditions in different districts. I rather think that each district considering its own conditions should determine the rate for its district.

It would be wise in fixing a rate to keep in view usual banking rates in your district but this approach must be limited if those banking rates are high when considered in the light of the purposes of this Act.

In determining whether there should be a different rate for individuals or financing institutions the increased risk in the case of individuals may well be considered.

I do not believe that there should now be any preferential rate for member banks since the law made no distinction between financing institutions and because a substantial part of the funds loaned are paid to us by the Treasury. Later experience may show that the element of risk may influence a preferential rate but I feel that we should await that experience before fixing one. It is my personal feeling that a commitment fee would be justified and that it should be a low fee. This feeling is prompted by the knowledge that commitments will tie up available funds for loans and by the knowledge that through commitments an element of value is given the financing institution.

I am very hopeful that through the process of making commitments we will engage the active cooperation of the banks, but this hope must be restrained within the limitation of having left available funds for immediate loans.

These expressions as to rates are only expressions. The Board will fully consider the mature action of your directors on this question.

- 4 -

I am certain that you have carried home to your directors our earnest feeling, first, that these new loans will materially aid the Recovery Program, second, that it gives your bank an opportunity to render a real service in your district, and third, that this opportunity entails a responsibility that for the good of the Federal Reserve System must be fully met.

I am pleased to advise that the expressions of this letter are concurred in by the members of the Board, but that they must be considered only as our expressions, since the Board feels that each Reserve Bank can and will meet its responsibilities under this law and will be more fully advised as to the special conditions in its district.

With my warm regards, I am,

Sincerely yours,

Governor..

TO GOVERNORS AND CHAIRMEN OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 4, 1934.
B-813.

SUBJECT: Functional Expenses,
Second Half, 1933.

Dear Sir:

There are enclosed herewith
copies of the consolidated Functional Expense
Exhibit for the half year ending December 31, 1933.
A copy of the exhibit is also being mailed to the
Governor of the bank.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

Enclosure.

LETTER TO CHAIRMAN OF EACH FEDERAL RESERVE BANK*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 16, 1934.
B-946.

SUBJECT: Condition of licensed member banks.

Dear Sir:

There is inclosed, for use pending the printing of Member Bank Call Report No. 59, a statement showing the resources and liabilities and a classification of loans, investments, deposits and borrowings, on October 25, 1933, of all licensed member banks, together with corresponding data by Federal Reserve districts and by classes of banks.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

Inclasure.

TO ALL GOVERNORS AND F. R. AGENTS.*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 17, 1934.
3-947.

Dear Sir:

It will be appreciated if you will kindly arrange to furnish the Federal Reserve Board, as early as convenient, with a summary or abstract of the condition reports of banking institutions under your supervision which, on December 30, 1933, were operating on an unrestricted basis, i.e., banks which had not been formally placed in liquidation or receivership, or possession of which had not been taken by a conservator or other State official. In addition to a combined summary covering all classes of such State banking institutions, we should like to have separate summaries for mutual savings banks, and for private banks, if any, operating under State supervision.

If you called for condition reports as of the same date from State banking institutions operating on a restricted basis, i.e., banks in charge of conservators or other State officials pending a decision of the question whether they should be reopened, reorganized or liquidated, we shall appreciate it if you will also furnish separate summaries covering such banks.

- 2 -

In order to expedite the receipt of the desired data by the Board, it is suggested that the summaries or abstracts be prepared on the forms used by the banks in submitting their reports to you, instead of awaiting the printing of your usual abstract. Please show in the summaries the number of banks (exclusive of branches) included therein.

An addressed envelope, requiring no postage, is inclosed for your use.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

Inclosure

TO EACH STATE BANKING DEPARTMENT WHICH ISSUED A CALL ON DECEMBER 30, 1933, EXCEPT WHERE THE STATE IS IN TWO FEDERAL RESERVE DISTRICTS.*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 19, 1934..
B-949..

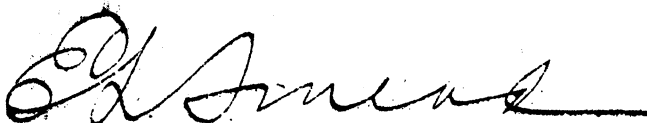
SUBJECT: Forms for use during 1934..

Dear Sir:

There are being forwarded to you today
under separate cover a supply of the following
forms for use during 1934:

Form 95, ..	copies
Form 96,	copies
Form 160,	copies

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations..

TO GOVERNORS OF ALL F. R. BANKS*

FEDERAL RESERVE BOARD

417

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 26, 1934

Dear Sir:

In order to determine how excess reserves are distributed among licensed member banks, in accordance with size and location of banks, we should appreciate obtaining from you the information called for on the enclosed forms. One set of these forms is to be filled out and returned to us and a set is for your own files. If possible, we should like to have this information by February 5.

Each set of forms contains one sheet for each of the following classes of banks:

1. Reserve city banks in each Federal Reserve bank city.
(In New York and Chicago report separately:
 - a. Central Reserve city banks;
 - b. Reserve city banks.)
2. Reserve city banks in Federal Reserve branch cities.
3. Reserve city banks outside Federal Reserve bank and branch cities.
4. Country banks in places with population of over 15,000.
5. Country banks in places with population of 15,000 and under.

Information for reserve city banks should apply to the two weeks containing complete reserve periods, ending nearest November 15, 1933. For most reserve city banks this two-week period will extend from Saturday, November 4, to Friday, November 17, inclusive. For country banks the data should apply to the reserve period November 1 to 15, 1933, inclusive.

The following data are to be shown on each form:

A. Number of licensed member banks of the classes indicated, classified according to status in the period specified with respect to

1. Size of bank, as measured by the total of net demand plus time deposits
2. Percentage of reserves held to reserves required.

B. Aggregate required reserves in the period specified for all banks in each size group, subdivided as to reserves required against

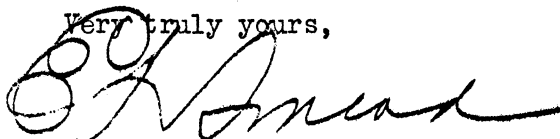
1. Net demand deposits
2. Time deposits.

Total reserves held by all banks in each group.

In working up these figures, the first task is to obtain percentages of reserves held to reserves required for each licensed member bank in the district. The next step is to classify these percentages in the various groups indicated. You will observe that the percentages called for relate not to the deficiency or excess of reserves but to total reserves. For example, a bank with a deficiency would show a percentage of less than 100, while a bank with excess reserves of 20 per cent would show a percentage of 120. The figure of net demand plus time deposits used in classifying the bank, as indicated in the column headings on the table, will be obtained from the figures actually used in computing the amount of reserves required. In determining average reserves and deposits of a member bank not in operation during the entire period, the divisor should, of course, be the number of days on which it was in operation as a licensed member bank, not the total number of days in the period.

The figures to be entered on the enclosed forms should represent the number of banks falling within each group, except in Section B at the bottom where the aggregate dollar amounts of reserves required and reserves held by all banks in each size group should be shown.

Very truly yours,



E. L. Smead, Chief
Division of Bank Operations

Enclosures

To all F. R. agents*

(B-953)

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

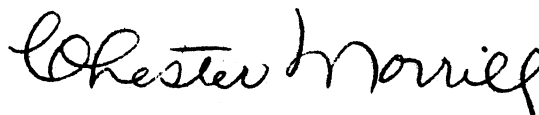
February 16, 1934
B-956

SUBJECT: Changes in Instructions governing the
preparation of Earnings and Expense
reports and Profit and Loss statements

Dear Sir:

There are inclosed copies of pages 3, 28 and 34 of
the "Instructions governing the preparation of Earnings and
Expense Reports and Profit and Loss Statements" which have been
revised in accordance with Board's letter of December 22, 1933,
the 1934 edition of Form 96, and the January 31, 1934 amendment
to Section 14 of the Federal Reserve Act.

Very truly yours,



Chester Morrill,
Secretary.

Inclosures

LETTER TO ALL GOVERNORS*

FEDERAL RESERVE BOARD

WASHINGTON

420

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

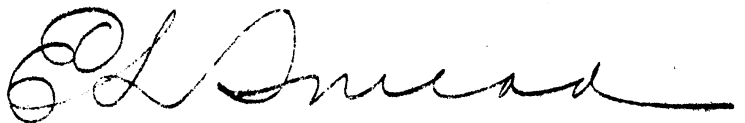
February 10, 1934.
B-957.

SUBJECT: Member Bank Call Report
for October 25, 1933.

Dear Sir:

We are forwarding to you under separate cover
copies of the Board's Member Bank Call Report
No. 59, showing the condition of licensed member
banks on October 25, 1933. Please forward a copy to
each member bank in your district that has expressed
a desire to receive copies of call reports as issued.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

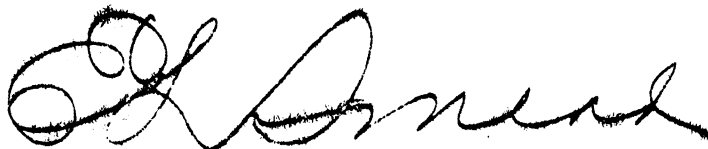
WASHINGTON

March 12, 1934.
B-959.ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDSUBJECT: Revised Federal Reserve Bank
Weekly Statement Figures.

Dear Sir:

For your information, and in order that correct comparative figures may be published in the consolidated weekly condition statement of the Federal Reserve banks for 1934, if issued at your bank, there are shown in the attached statement revisions made in the weekly Federal Reserve bank press statements issued during 1933, which were received too late to be shown in the comparative column of the following week's statement, or were made necessary by recent changes in the form of the statement, and of which you have not heretofore been advised.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

CORRECTIONS IN CONSOLIDATED WEEKLY STATEMENT OF CONDITION
OF FEDERAL RESERVE BANKS IN 1933, NOT SHOWN IN THE COMPAR-
ATIVE COLUMN OF THE FOLLOWING WEEK'S STATEMENT

422

	<u>CHANGE FROM</u>	<u>CHANGE TO</u>
	(In thousands of dollars)	
Mar. 15 - Bills discounted:		
Secured by U.S. Government obligations	769,470	769,973
Other bills discounted	462,846	463,264
Total bills discounted	1,232,316	1,233,237
Special Treasury Certificates	19,000	9,000
Other certificates and bills	989,937	999,937
Total bills and securities	3,540,310	3,541,231
All other resources	53,568	52,647
Member bank - reserve account	1,967,229	1,963,780
Special deposits - member bank	36,774	40,305
Mar. 22 - Bills discounted:		
Secured by U.S. Government obligations	324,233	327,813
Other bills discounted	346,636	352,298
Total bills discounted	670,869	680,111
Other securities	5,394	5,406
Total bills and securities	2,892,959	2,902,219
All other resources	60,185	51,051
Mar. 29 - Bills discounted:		
Secured by U.S. Government obligations	231,800	238,469
Other bills discounted	313,310	320,533
Total bills discounted	545,110	559,002
Other securities	5,402	5,414
Total bills and securities	2,699,117	2,713,021
All other resources	64,960	51,056
Apr. 5 - Bills discounted:		
Secured by U.S. Government obligations	138,926	140,543
Other bills discounted	297,251	300,522
Total bills discounted	436,177	441,065
Total bills and securities	2,565,059	2,569,947
All other resources	57,487	52,599
Apr. 19 - Bills discounted:		
Secured by U.S. Government obligations	124,077	124,277
Other bills discounted	290,193	289,993
June 14 - Bills discounted:		
Secured by U.S. Government obligations	55,553	55,565
Other bills discounted	198,209	198,197

(B-959a)

ITEMS "GOLD CERTIFICATES ON HAND AND DUE FROM U. S. TREASURY", CODE BICE, AND "GOLD", CODE BOLE, FOR THE
CONSOLIDATED WEEKLY STATEMENT OF CONDITION OF FEDERAL RESERVE BANKS FROM MARCH 8, 1933, TO JANUARY 17, 1934, INCLUSIVE
(In thousands of dollars)

Gold certificates on hand and due from			
<u>U. S. Treasury</u>			<u>Gold</u>
1933, March	8	688,239	1,856,991
	15	835,291	2,040,428
	22	932,216	2,155,095
	29	911,543	2,240,150
April	5	913,536	2,288,822
	12	911,248	2,330,772
	19	920,107	2,380,713
	26	931,605	2,400,862
May	3	954,555	2,418,515
	10	958,860	2,425,641
	17	957,360	2,455,324
	24	959,532	2,493,364
	31	960,143	2,515,402
June	7	961,977	2,514,484
	14	963,618	2,526,266
	21	965,238	2,523,720
	28	966,694	2,533,003
July	5	966,234	2,538,541
	12	967,848	2,534,351
	19	969,781	2,532,825
	26	946,919	2,562,283

	Gold certificates on hand and due from <u>U. S. Treasury</u>	<u>Gold</u>
1933, Aug. 2	948,173	2,572,777
9	950,173	2,589,885
16	950,761	2,594,403
23	951,607	2,601,596
30	950,940	2,601,424
Sept. 6	952,155	2,600,313
13	953,889	2,599,847
20	955,529	2,599,275
27	956,400	2,599,676
Oct. 4	957,495	2,598,017
11	957,750	2,595,046
18	956,818	2,598,697
25	953,875	2,599,600
Nov. 1	951,072	2,599,520
8	943,580	2,595,443
15	944,058	2,594,910
22	943,600	2,593,662
29	942,790	2,589,560
Dec. 6	943,475	2,586,897
13	945,080	2,582,233
20	945,265	2,578,809
27	945,654	2,578,393
1934, Jan. 3	946,307	2,578,064
10	946,180	2,575,150
17	947,682	2,568,648

FEDERAL RESERVE BOARD

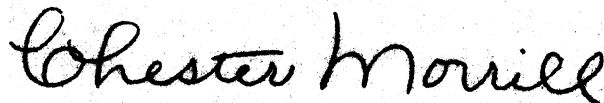
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDMarch 13, 1933
B-961SUBJECT: Changes in Federal Reserve
note face plates.

Dear Sir:

As the supply of unissued Federal Reserve notes of each Federal Reserve bank on hand, at the Bureau of Engraving and Printing and at the Federal Reserve banks and branches, appears adequate for requirements for some time to come it is felt desirable to discontinue further printings of Federal Reserve note faces until the face plates can be altered to conform to certain changes that have been made in the currency laws. It is expected that the necessary changes in the plates will be made in time to resume printings in about two months.

Very truly yours,

Chester Morrill
Secretary.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

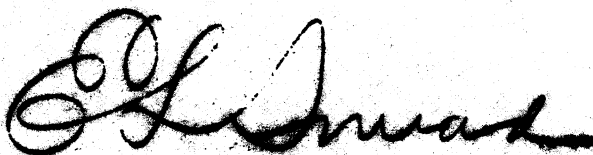
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDMarch 6, 1934.
B-962.

SUBJECT: Condition of licensed member banks.

Dear Sir:

There is inclosed, for use pending the printing of Member Bank Call Report No. 60, a statement showing the resources and liabilities and a classification of loans, investments, deposits and borrowings, on December 30, 1933, of all licensed member banks, together with corresponding data by Federal Reserve districts and by classes of banks.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Inclosure.

TO ALL GOVERNORS AND F. R. AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

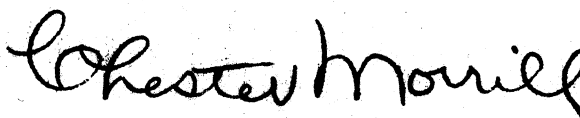
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 7, 1934.
B-963.

Dear Sir:

There is attached, for your information, a copy of a letter dated March 2, 1934, to Mr. W. H. Dillistin, Assistant Federal Reserve Agent, Federal Reserve Bank of New York, advising him that the proceeds of capital notes or debentures sold to the Reconstruction Finance Corporation by State bank members of the Federal Reserve System should be considered as part of their capital in determining required holdings of Federal Reserve bank stock.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO FEDERAL RESERVE AGENTS AT ALL FEDERAL RESERVE BANKS
EXCEPT NEW YORK.

March 2, 1934.
B-963a.

Mr. W. H. Dillistin,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Mr. Dillistin:

Referring to your letter of February 16, as stated in the Board's telegram TRANS 1905 of November 8, 1933, the Board, upon reconsideration of the ruling contained in its letter X-7561 of August 25, 1933 (published on page 566 of the Federal Reserve Bulletin for September 1933), has taken the position that the proceeds of capital notes or debentures sold to the Reconstruction Finance Corporation by State banks are part of the unimpaired capital required of such banks for admission to membership in the Federal Reserve System. The Board has also decided, as stated in TRANS 1913 of November 23, 1933, that the proceeds of such capital notes or debentures should be treated as part of the capital of banks in determining the amount of Federal Reserve bank stock to be subscribed for by State banks applying for membership. Although not stated in the Board's telegram TRANS 1913, it was intended that the proceeds of capital notes or debentures sold to the Reconstruction Finance Corporation by State bank members of the Federal Reserve System should also be considered as part of their capital in determining required holdings of Federal Reserve bank stock.

Mr. W. H. Dillistin -- 2.

It is suggested that you advise the _____ Trust Company of _____ accordingly and request it to file an application for additional Federal Reserve bank stock in view of the increase in its aggregate capital and surplus as a result of the sale of \$ _____ capital notes to the Reconstruction Finance Corporation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

March 17, 1934.
B-966.ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDSUBJECT: Call Condition Reports of State Bank
Members and their Affiliates.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the six forms and schedules attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copiesForm

Form 105, Report of condition of State bank member.

Schedule "O", Loans and advances to affiliate and investments in and loans secured by obligations of affiliates.

Schedule "Q", Number of depositors and amount of deposits.

Form 220, Report of affiliate or holding company affiliate.

Form 220a, Publisher's copy of report of affiliate or holding company affiliate.

Form 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

Kindly mail an appropriate number of copies of these forms and schedules, based on the number required at the time of the last call for reports, to each State bank member that has not been formally

placed in liquidation or receivership, or possession of which has not been taken by a conservator or other State official, with the request that the forms and accompanying schedules be held pending a call for reports thereon.

In order that the Board may have statistical data regarding the aggregate loans and investments, deposits, etc., of State bank members in the hands of conservators or other similar State officials pending a decision of the question whether they should be reopened, reorganized or liquidated, but which have not been formally placed in liquidation or receivership, please also forward three copies of Form 105 to each of such banks with the request that the conservator, or other State official in charge of the bank, fill in the data called for by the form (upon receipt of a call therefor) and mail the report to your bank in duplicate. Please request the officials in charge of such banks to interline the amount of special or segregated deposits, subject to unrestricted withdrawal, against the caption "Unrestricted deposits" following the items affected in Schedules J, K and L, and to interline assets segregated against such deposits opposite appropriate captions on the face of the report and in Schedule I. Officials in charge of such banks should not be asked to furnish the data called for in Schedules O and Q, nor to have the reports attested by any of the directors of the banks.

It will be noted that provision has been made in Form 105 for reporting under item 29, "Capital account", the amount of capital notes and debentures sold to the Reconstruction Finance Corporation and to others, as well as the amount of the retirement fund for preferred stock or capital notes and debentures; that liability item "Bills payable and rediscounts"

has been divided into two parts, namely, "Bills payable" and "Rediscounts", with corresponding sub-totals in Schedule H; that Schedule AA, "Assets pledged, rediscounted, loaned, or sold under repurchase agreement", has been eliminated, and provision has been made for showing instead, in a memorandum section on the face of the report, the amount of loans and investments pledged to secure liabilities; and that the classification of "Other bonds, stocks and securities owned" in Schedule G has been completely revised. In the revised Schedule G no provision has been made for reporting the amount of claims and judgments, heretofore included in item 1-i. The amount of such assets should be shown separately in Schedule M, "Other assets". It will be noted that a new Schedule "Q" has been provided for reporting certain data as to the number of depositors and amounts of total deposits, net deposits, and insurable deposits as of the date of the next condition report on Form 105 and as of December 15, 1933.

Some of the reports submitted on recent calls have shown amounts opposite the items "Surplus" and "Undivided profits - net" under Capital account, although the net book value of preferred and common stock, as shown opposite the bracket, was less than the aggregate of the retireable value of preferred stock and par value of common stock. A State bank member should not show any surplus or undivided profits in condition reports on Form 105 when the net book value of capital notes and debentures and capital stock is less than the aggregate of (1) the amount at which capital notes and debentures or preferred stock must be retired or to which the holders thereof are entitled in case of liquidation, and (2) the par value of common stock. Moreover a bank should not report among "Other assets" (as heretofore

- 4 -

provided in instructions governing the preparation of condition reports) any operating deficit. Any such deficit must be deducted from capital account. If, on examination of the condition reports submitted by State bank members, you find that the capital account is not reported on this basis, please have appropriate corrections made.

Please advise State bank members that, although the amount of rediscounts (as reported against Item 22 of "Liabilities") should not be included in the memorandum section below "Liabilities", the amount of any marginal or additional collateral that may have been pledged to secure such rediscounts should be reported as "pledged against borrowings", item 34-e, and included in item 33 and items 30, 31 or 32, depending on the character of the collateral.

In the Board's letter B-944 of December 26, 1933, page 2, you were requested to advise State bank members that payments made to the Temporary Federal Deposit Insurance Fund should be included in "Other assets", item 13 on the face of Form 105, and shown separately in Schedule M. This was intended to require State bank members to include such payments in "Other assets" only if they were carried as assets on the bank's books. The banks may, of course, use their own discretion as to whether they should carry such payments as an asset or charge them off. If charged off the amount should be shown separately under item 2, "Expenses", in earnings and dividends reports, Form 107.

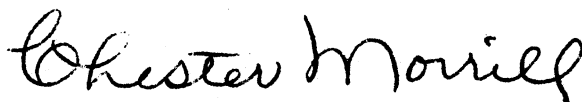
It is requested that as promptly as practicable after the issue of the call you inform the Board, with respect to each State whose

- 5 -

capital city lies in your district, whether or not State authorities issued a call for condition reports as of the same date as the call issued by the Board, and, if not, the date of the nearest call thereto issued by the State authorities.

You are authorized to grant extensions of time for the preparation of reports of affiliates under the same terms and conditions as heretofore authorized.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

March 23, 1934.
B-967.ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

Dear Sir:

Regulation No. 7, issued by the Secretary of the Treasury on March 6, 1933, authorized banking institutions to create special trust accounts for the receipt of new deposits subject to withdrawal on demand without any restriction or limitations, provided such deposits were kept separately in cash or on deposit in the Federal Reserve banks or invested in obligations of the United States. The same regulation also authorized the Federal Reserve banks to open special accounts on their books for member banks and temporarily for nonmember banks and to receive for credit in such accounts the proceeds of any special trust deposits held by such banking institutions.

In the Board's telegram TRANS 1682 of March 18, 1933, the Federal Reserve banks were advised that, in the consolidated press statement of condition of Federal Reserve banks, the items "Special deposits - member bank" and "Special deposits - nonmember bank" would be inserted immediately preceding item "Other deposits".

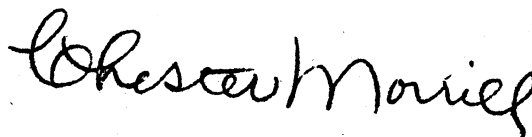
After careful consideration, the Board believes that there is now no good reason why the Federal Reserve banks should continue to accept from or carry special deposits for nonmember banks, regardless

- 2 -

of whether such banks have been authorized to conduct normal operations or are still in the hands of conservators or similar state officials. Accordingly, you are requested to advise any nonmember banks in your district, for which such service is now performed, to make arrangements to liquidate their balances in special deposits with your bank not later than April 14, 1934.

Beginning April 14 all collected fund balances standing to the credit of non-licensed member banks should be included in item "Other deposits" on the daily balance sheet, form 34. The items "Special deposits - member bank" and "Special deposits - nonmember bank" will be eliminated from the published condition statement beginning April 18, and amounts of such deposits for the preceding week and for the corresponding week of the preceding year will be combined with "Other deposits" in the consolidated statement.

Very truly yours,



Chester Morrill,
Secretary.

COPY TO ALL GOVERNORS OF FEDERAL RESERVE BANKS*

FEDERAL RESERVE BOARD

WASHINGTON

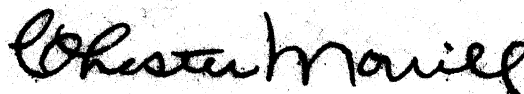
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 23, 1934.
B-968.

Dear Sir:

As United States gold coin and gold certificates are not being paid out by the Federal Reserve banks and as the receipts of gold by the Federal Reserve banks can be ascertained from information reported on the reverse side of Form 34, the monthly reports on gold receipts and payments called for in Board's letter X-3991 of March 8, 1924, may be discontinued,

Very truly yours,



Chester Morrill,
Secretary.

COPY TO GOVERNORS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK*

FEDERAL RESERVE BOARD

WASHINGTON

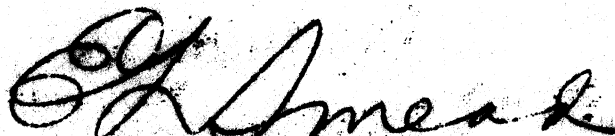
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDMarch 28, 1934
B-971SUBJECT: Monthly report of Discount and Open Market
Operations and Holdings

Dear Sir:

Inclosed are copies of revised Form 38 which takes the place of the present Forms 38 and B-3 and covers discounts and purchases of the various classes of bills and securities during the month and holdings thereof at the end of the month. It is requested that reports on the new forms be submitted beginning with January 1934.

It is also requested that a supplementary statement be furnished monthly showing, by issues, the amounts of United States Government securities (exclusive of securities acquired and held by the Federal Open Market Committee), purchased, sold or redeemed, and on hand at the end of the month.

Very truly yours,


E. L. Smead, Chief,
Division of Bank Operations.

Inclosures

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

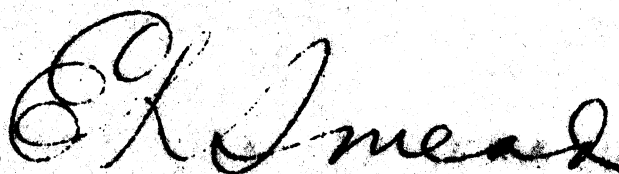
April 4, 1934.
B-973.

SUBJECT: Member Bank Call Report
for December 30, 1933.

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Member Bank Call Report No. 60, showing the condition of licensed member banks on December 30, 1933. Please forward a copy to each member bank in your district that has expressed a desire to receive copies of call reports as issued.

Very truly yours,



E. L. Sneed, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

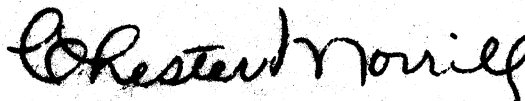
April 11, 1934.
B-975.ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

Dear Sir:

The Board has been advised by a number of the Federal Reserve agents that they have received an inquiry from Mr. Lawrence Clark of 512 West 122nd Street, New York City, as to the amount of gold earmarked for foreign account by their respective Reserve banks, and it is assumed that a similar inquiry has been received from Mr. Clark by other Federal Reserve agents.

On November 8, 1933, Mr. Clark addressed substantially the same inquiry to the Federal Reserve Board, and there is inclosed for your information a copy of the reply sent to him under date of November 22, 1933.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

November 22, 1933.

Mr. Lawrence Clark,
512 West 122nd Street,
New York, New York.

Dear Mr. Clark:

Receipt is acknowledged of your letter of November 8 in regard to figures contained in the annual report of the Federal Reserve Board for 1932 with respect to gold held under earmark.

In view of the fact that the amounts of gold held under earmark are shown only for the twelve Federal Reserve banks as a whole in the published reports of the Board I am not in position to make available to you the information which you request as to each individual Federal Reserve bank.

Very truly yours,

(Signed) Chester Morrill

Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDApril 10, 1934
B-977.**SUBJECT: Bank Examination Function**

Dear Sir:

It has recently been suggested by one of the Federal Reserve banks that the expenses of the Bank Examination Function as shown in the Functional expense reports, Form E, be divided so as to show separately the cost incident to the examination of member banks and their affiliates and of state banks (including affiliated organizations) applying for membership, and the cost of other work performed in the Examination departments of the Federal Reserve banks, exclusive of administrative costs. Accordingly, we have prepared, for consideration, the attached statement showing how the suggested new set-up might be incorporated in the manual of instructions governing the preparation of functional expense reports. It will be noted from the statement that four units are provided as follows:

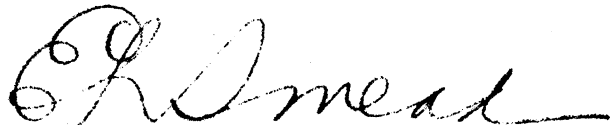
1. Administration
2. Examinations
3. Field Investigations
4. Analysis and Review

- 2 -

At present, all expenses of the Bank Examination function are included, as you know, in the one expense unit "Bank Examination".

It will be appreciated if you will be good enough to go over the attached statement and advise us whether in your opinion it would be desirable to subdivide the expenses of the Bank Examination function along the lines suggested and, if so, whether the proposed set-up meets with your approval. We would also be glad to have any specific suggestions that you may care to make regarding the enumerated operations of, and expense items chargeable to, each of the four proposed units of this function.

Very truly yours,

A handwritten signature in cursive script, reading "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

SymbolE - BANK EXAMINATION1. ADMINISTRATIONOperations

Includes salaries of officers and their stenographers assigned to the general administration of this function and any other expenses incidental thereto. Salaries of examiners, department heads, division chiefs, etc., other than officers, should be allocated entirely to expense units other than Administration.

Expense Accounts (Shown on Form E)

- a. Salaries - officers
- b. Salaries - employees
- c. Traveling expenses

Includes expenses incurred in connection with distinctly functional matters which cannot be charged to a particular unit under this function. Does not include traveling expenses of officers charged to this function when attending conventions, group meetings, conferences, or committee meetings where general procedure or policy of the bank is affected, even though it be for consideration of matters pertaining to this function.

- d. Printing and stationery and other supplies
- Includes bank circulars affecting this function

- e. Telephone and telegraph

Distributed to this unit from Telephone and Telegraph units

- f. All other

2. EXAMINATIONSOperations

Examinations or credit investigations of:

Member banks

Affiliates of member banks

State banks (including affiliated organizations) applying for membership

All other work incident to examinations or credit investigations of member banks, State banks applying for membership, and affiliated organizations.

SymbolE - BANK EXAMINATION (CONT'D)2. EXAMINATIONS (Cont'd)Expense Accounts (Shown on Form E)

- a. Salaries - officers
- b. Salaries - employees
- c. Traveling expenses
Includes all traveling expenses incurred by officers and employees in connection with the examination work outlined above.
- d. Printing and stationery and other supplies
- e. Telephone and telegraph
Distributed to this unit from Telephone and Telegraph units
- f. All other

DEDUCT - EXPENSES CHARGED AGAINST THE INSTITUTIONS EXAMINED

- g. Salaries
- h. Traveling expenses
Amount of salaries and traveling expenses charged against the institutions examined should be deducted but not the number of employees. Charges made to cover the cost of examination work in accordance with the Board's letter X-6665 dated July 26, 1930, and the Federal Reserve Act, should be credited to Current Expense Account and the amount of all such credits shown as a deduction from the gross expense of this expense unit.

3. FIELD INVESTIGATIONSOperations

Investigations made in connection with applications for National bank charters.

Investigations made in connection with applications of National banks for authorization to exercise fiduciary powers.

All other field investigations(not connected with examinations or follow-up of examinations) incident to the work of the Bank Examination function.

SymbolE - BANK EXAMINATION (CONT'D)3. FIELD INVESTIGATIONS (CONT'D)Expense Accounts (Shown on Form E)

- a. Salaries - officers
- b. Salaries - employees
- c. Traveling expenses
Includes traveling expenses incurred in making investigations of the type outlined above.
- d. Printing and stationery and other supplies
- e. Telephone and telegraph
Distributed to this unit from Telephone and Telegraph units
- f. All other

4. ANALYSIS AND REVIEWOperations

Review and preparation for submission to the Federal Reserve Board of:

- Applications of National banks for fiduciary powers
- Applications for acceptance powers up to 100 percent
- Applications for acceptance powers for dollar exchange
- Applications for voting permits by holding company affiliates of member banks
- Applications to establish branches
- Applications for decrease in capital stock of member banks
- Applications under Clayton Act
- Applications for permits under Section 32 of the Banking Act of 1933
- Applications for adjustment of Federal Reserve bank stock
- Preparation of recommendations to the Comptroller of the Currency on applications to organize National banks.
- Analysis of reports of earnings and dividends
- Analysis of bank examiners' reports
- Analysis of call reports of condition - National and State banks
- Preparation of correspondence in connection with mergers, liquidations, etc.
- All other work incident to this unit.

Expense Accounts (Shown on Form E)

- a. Salaries - employees
- b. Printing and stationery and other supplies
- c. Telephone and telegraph
Distributed to this unit from Telephone and Telegraph units
- d. National bank examiners' reports
- e. State bank examiners' reports
- f. All other

(St. 6541)

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 11, 1934.
B-978.

Dear Sir:

There have been forwarded to you today under separate cover copies of Form 231, a copy of which is attached, for the use of State bank members in submitting reports, as of April 30, 1934, showing the book and market or appraised values of their loans and investments and of bank premises and other real estate owned and the effect of any depreciation in the value of such assets on capital account. Three copies of the form should be mailed to each State bank member in time to reach it on April 16. A copy of the letter to be sent to State bank members asking for the report is inclosed.

Similar reports are being requested of National banks by the Comptroller of the Currency, and such banks are being instructed to send copies of their reports to your bank.

After your office has had an opportunity to examine each report submitted by State bank members and by National banks, if it is felt that the net capital account for any bank, as reported against item 16 of Schedule 4, is substantially overstated, the

- 2 -

Board will be pleased to have any comments you care to submit in regard thereto.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosures.

TO ALL FEDERAL RESERVE AGENTS*

TO THE STATE MEMBER BANK ADDRESSED:

In order that the Federal Reserve Board and this Federal Reserve bank may have current information, for their confidential use, regarding the book and market or appraised values of the loans and investments and of bank premises and other real estate of each state bank member of the Federal Reserve System, and the effect of any depreciation in the value of such assets on its capital account, you are requested to furnish this bank with a report, in duplicate, for your bank on form 231, three copies of which are inclosed, as of April 30, 1934. It is important that this matter be referred promptly to your Board of Directors so that the examining committee, which is to sign the report, may take the necessary steps to enable it to have the report submitted to this bank not later than May 31, 1934, after having made, or caused to be made, a careful examination and appraisal of the bank's assets covered by the report.

It is believed that the reports on form 231 will not only furnish the Federal Reserve Board and this bank current information as to the condition of state bank members but that they will be of considerable value to the banks themselves. It is also felt that the Board of Directors of every bank should take the necessary action to provide for an appraisal periodically of its loans and investments by an examining committee of its directors, or by some one designated by the examining committee, in order that the directors may be kept fully informed as to the condition of the bank and take prompt corrective measures when necessary.

By direction of the Federal Reserve Board.

Very truly yours,

Federal Reserve Agent.

FEDERAL RESERVE BOARD

WASHINGTON

April 30, 1934.

B-980

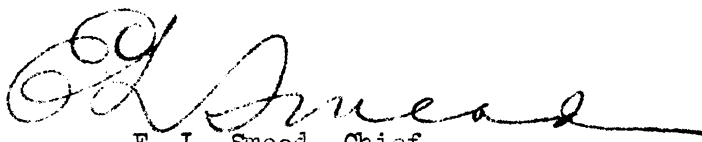
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Audit of Stock of Unissued Federal Reserve Notes and Federal Reserve Bank Notes in vault at Bureau of Engraving and Printing.

Dear Sir:

There is inclosed, for your information, a copy of a letter from Mr. M. R. Loafman, Chief, Division of Public Debt Accounts and Audits, Treasury Department, advising the Secretary of the Treasury that an audit of the completed stock of Federal reserve notes and Federal reserve bank notes on hand in the Federal reserve vault at the Bureau of Engraving and Printing was begun on April 4 and completed on April 6 as of the close of business April 3, 1934, and that the amounts on hand, \$3,745,300,000 of Federal reserve notes and \$450,800,000 of Federal reserve bank notes, were in agreement with the records of the Federal reserve vault and with the statement submitted by the Federal Reserve Issue and Redemption Division of the Comptroller's Office. Copies of statements "A" and "B" which accompanied Mr. Loafman's letter are also inclosed.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

Inclosure.

- 2 -

custody of representatives of the Secretary of the Treasury, the Bureau of Engraving and Printing and the Federal Reserve Board. It was therefore not considered necessary to break the seals on the packages in making the verification but the brief on each package was examined with respect to the package number, serial numbers of the notes, bank, and denomination. The packages were found in orderly arrangement and grouped in such manner as to permit the auditors to accomplish the verification with dispatch.

Prior to beginning the audit the Chief of the Secret Service was notified and a representative of his office was present.

Appreciation is extended to the officials of the Bureau of Engraving and Printing and the representatives at the Federal Reserve Vault for the cooperation and assistance rendered during the conduct of the audit.

Respectfully submitted:

(Signed) M. R. Loafman.

Chief, Division of Public Debt Accounts and Audit.

STATEMENT "A"

FEDERAL RESERVE NOTES ON HAND IN THE FEDERAL RESERVE
VAULT IN THE BUREAU OF ENGRAVING AND PRINTING, AS
DISCLOSED BY AUDIT AS OF APRIL 3, 1934.
(IN THOUSANDS OF DOLLARS)

BANK	5's	10's	20's	50's	100's	500's	1,000's	5,000's	10,000's	TOTAL
Boston.	\$ 47,880	\$ 100,800	\$ 61,200	\$ 50,400	\$ 50,400	\$ 30,000	\$ 30,000	\$ 3,000	\$ 6,000	\$ 379,680
New York.	118,120	59,800	48,640	4,400	34,800	64,800	54,400	. . .	6,000	390,960
Philadelphia. . .	62,880	74,960	75,440	75,000	78,000	42,000	50,400	. . .	. . .	458,680
Cleveland	69,840	89,960	122,640	41,400	28,400	39,300	31,600	6,000	2,000	431,140
Richmond.	39,340	28,680	40,720	43,300	30,000	28,500	21,000	9,000	10,000	251,040
Atlanta	35,460	42,600	44,960	23,800	20,400	21,600	21,600	4,000	9,320	223,740
Chicago	58,980	93,400	124,880	98,200	96,800	108,900	135,200	16,000	20,000	752,360
St. Louis	11,100	24,800	29,040	19,200	25,200	18,600	16,200	.....	.....	144,140
Minneapolis . . .	11,160	18,400	31,040	12,000	22,400	13,300	13,000	.....	.....	121,300
Kansas City . . .	30,140	18,880	33,760	22,600	26,800	25,800	28,400	.....	.....	186,380
Dallas	27,980	30,680	25,920	22,600	20,000	24,600	23,400	1,000	2,000	178,180
San Francisco . .	52,580	35,800	46,560	12,600	27,600	21,600	17,400	3,720	9,840	227,700
Total	\$565,460	\$ 618,760	\$ 684,800	\$ 426,000	\$ 460,800	\$439,000	\$ 442,600	\$ 42,720	\$ 65,160	\$ 3,745,300

STATEMENT "B"

FEDERAL RESERVE BANK NOTES ON HAND IN THE FEDERAL RESERVE
VAULT IN THE BUREAU OF ENGRAVING AND PRINTING, AS
DISCLOSED BY AUDIT AS OF APRIL 3, 1934.
 (IN THOUSANDS OF DOLLARS)

BANK	5's	10's	20's	50's	100's	TOTAL
Boston.	\$ 5,020	\$ 5,000	\$ 5,040	\$	\$	\$ 15,060
New York	860	27,320	18,000	6,600	22,800	75,580
Philadelphia	4,100	3,300	13,840	.....	.....	21,740
Cleveland	10,020	10,080	1,520	23,800	23,600	69,020
Richmond . . . . .	.....	10,840	21,600	.....	15,600	48,040
Atlanta	5,040	5,880	15,520	.....	.....	26,440
Chicago	19,380	23,440	24,720	15,000	10,800	93,340
St. Louis . . . . .	.....	2,120	5,040	.....	.....	7,160
Minneapolis . . . . .	.....	1,880	11,280	6,600	14,400	34,160
Kansas City	9,020	2,840	7,120	12,800	8,400	40,180
Dallas . . . . .	.....	.....	1,680	1,200	1,200	4,080
San Francisco . . . . .	.....	4,800	.....	11,200	.....	16,000
TOTAL	\$ 53,440	\$ 98,000	\$ 125,360	\$ 77,200	\$ 96,800	\$ 450,800

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 7, 1934.
B-981.

Dear Sir:

Following the conference between the Board and a Committee of the Governors' Conference on October 12, 1933, with regard to reimbursement of Federal Reserve Banks for extraordinary expenses incurred during and immediately after the banking holiday, the question was taken up with the Treasury Department and on April 10, 1934, Mr. Wm. H. McReynolds, Administrative Assistant to the Secretary, wrote a letter to the Comptroller General of the United States, a copy of which is inclosed, in which he advised the Comptroller General it is the opinion of the Department that the vouchers of the Federal Reserve banks for reimbursement "should include all items which represent reimbursement for out of pocket expenses incurred in connection with the actual licensing of member banks and making available to member banks proclamations, orders, regulations and interpretations thereof, after the issuance of the Proclamation of March 6, 1933, which bears the hour of signature as 1 A. M." Mr. McReynolds also stated that, in accordance with the law and regulations, supplemental vouchers will be submitted to the Comptroller General's office, for consideration and direct settlement, covering the cost of transportation, etc., of gold and gold certificates, which were disallowed by the office of the Comptroller of the Currency;

- 2 -

also that the vouchers returned by the Comptroller General will be re-examined, reapproved in accordance with Mr. McReynolds' letter, and resubmitted to the Claims Division of the Comptroller's office for further consideration as rapidly as possible.

These vouchers are now being reexamined and resubmitted and, as soon as the Board receives advice of the action taken thereon by the Comptroller General, you will be advised thereof for your guidance in preparing claims for reimbursement for banking holiday expenses for which vouchers have not already been submitted.

For your information, the Treasury Department has informally advised us that it has asked for the inclusion in the next deficiency bill of a provision which will permit the Department to reimburse the Federal Reserve banks for abrasion on light-weight gold absorbed by them since the banking holiday.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'E. L. Smead'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

E. L. Smead, Chief,
Division of Bank Operations.

B-979.
April 10, 1934.

The Honorable

The Comptroller General of the United States.

Sir:

Reference is made to your letter of September 6, 1933 (A-50561), relating to the submission to your office for direct settlement of a voucher covering various expenses incurred in connection with the emergency banking situation, in favor of the Federal Reserve Bank of Dallas, Texas, which was approved for the Comptroller of the Currency in the amount of \$2,790.55, for payment from the appropriation "Expenses, National Banking Emergency, Act March 9, 1933, Comptroller of the Currency," and requesting to be informed which of the items involved in the claim are considered not properly payable under the appropriation and the reasons therefor, and that there be furnished your office a copy of any regulations which have been issued concerning expenditures from this fund; to a letter of the Under Secretary of the Treasury dated October 2, 1933, setting forth a description of certain items in the voucher mentioned which the office of the Comptroller of the Currency was unable to certify for payment; and to a number of letters from the Claims Division of your office addressed to the Comptroller of the Currency under your files Misc. 014506(3), 015096(1), 0232879(2), 0365373(1)(3), 0421355, 0426813, and 0428207, returning certain vouchers submitted by Federal Reserve Banks and others for further administrative reports in the matter.

There appears to have been a general misunderstanding with respect

to reimbursements for expenses in connection with the licensing of banks following the banking holiday. Accordingly, I have caused an investigation to be made of the matter with a view to determining what expenses had been authorized by the officials of the Treasury Department in connection with the duties devolving upon the Secretary of the Treasury under the Act of March 9, 1933 (47 Stat. 1-7). For your information, there are enclosed copies of telegrams dated April 8, 1933, signed by the Under Secretary of the Treasury, outlining the class of expenditures which would be reimbursed due to the charges for transportation of shipments of gold coin, gold certificates, etc. to member banks or Federal Reserve Banks in accordance with Sections 2, 3 and 5 of Executive Order No. 6102 of April 5, 1933; and April 22, 1933, signed by Assistant Secretary of the Treasury James H. Douglas, outlining the class of expenditures which would be reimbursed to Federal Reserve Banks due to the actual licensing of member banks and making available to member banks proclamations, orders, regulations and interpretations thereof, both of which were addressed to the Governors of the several Federal Reserve Banks.

Section 1 of the Act of March 9, 1933, supra, reads as follows:

"The actions, regulations, rules, licenses, orders and proclamations heretofore or hereafter taken, promulgated, made, or issued by the President of the United States or the Secretary of the Treasury since March 4, 1933, pursuant to the authority conferred by subdivision (b) of section 5 of the Act of October 6, 1917, as amended, are hereby approved and confirmed,"

and Section 501 of that Act provides:

"There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$2,000,000,

which shall be available for expenditure, under the direction of the President and in his discretion, for any purpose in connection with the carrying out of this Act."

The Office of the Comptroller of the Currency has interpreted the Act of March 9, 1933, to provide for the reimbursement of only the cost of telegrams sent and telephone calls made on and after March 9, 1933, by Federal Reserve Banks in connection with the licensing of banks following the banking holiday. It is apparent that it is the intention of the Sections of the Act of March 9, 1933, quoted above, to make the appropriation available for payment of expenses incurred after the issuance of Proclamation No. 2039 by the President on March 6, 1933, and the telegram of April 22, 1933, referred to above, was based upon that understanding. Accordingly, the vouchers returned by your office will be reexamined, reapproved in accordance with this letter, and resubmitted to the Claims Division of your office for further consideration as rapidly as possible. It is the opinion of this Department that these vouchers, as well as all others hereafter submitted to your office, should include all items which represent reimbursement for out of pocket expenses incurred in connection with the actual licensing of member banks and making available to member banks proclamations, orders, regulations and interpretations thereof, after the issuance of the Proclamation of March 6, 1933, which bears the hour of signature as 1 A.M.

Under date of March 7, 1933, the Secretary of the Treasury, with the approval of the President, issued Instructions G (photostatic copy enclosed), which provided that member banks of the Federal Reserve

system should turn in to the Federal Reserve Banks all gold and gold certificates owned by them before they could avail themselves of the currency and coin, rediscount, and other facilities of the Federal Reserve banks, which facilities the Federal Reserve Banks were authorized to extend to member banks in order to enable such banks to perform the functions permitted under the regulations issued by the Secretary of the Treasury.

Reimbursement of the expenses of the transportation of gold coin and gold certificates is authorized by section 3 of the Act of March 9, 1933, supra, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary.

In accordance with the law and regulations cited above, therefore, supplemental vouchers will be submitted to your office for consideration and direct settlement of the cost of transportation, etc., of gold and gold certificates, which were disallowed by the office of the Comptroller of the Currency.

For your further information I am attaching a copy of an order signed by the President on March 10, 1933, allotting the sum of \$1,000,000 of the appropriation mentioned above to the Treasury Department, this amount, or so much thereof as may be necessary, to be expended for any purpose in connection with the carrying out of the provisions of the Act of March 9, 1933, under such rules and regulations as the Secretary of the Treasury shall prescribe. A copy of an order signed by the President on December 28, 1933, allotting to the Treasury Department the unexpended balance under the original appropriation to be expended under similar conditions, is

- 5 -

also enclosed.

Your cooperation in effecting settlement of these claims will be appreciated.

By direction of the Secretary:

Respectfully,

(Signed) Wm. H. McReynolds

Wm. H. McReynolds,
Administrative Assistant
to the Secretary.

Encls.

FEDERAL RESERVE BOARD

460

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 28, 1934.
B-983.

SUBJECT: Condition of licensed member banks.

Dear Sir:

There is inclosed, for use pending the printing of Member Bank Call Report No. 61, a statement showing the assets and liabilities and a classification of loans, investments, and deposits on March 5, 1934, of all licensed member banks, together with corresponding data by Federal Reserve districts and by classes of banks.

Very truly yours,



E. L. Smead, Chief,
Division of Bank Operations.

Inclosure.

TO ALL GOVERNORS AND F. R. AGENTS*

FEDERAL RESERVE BOARD

461

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 31, 1934
B-984

SUBJECT: Payment of Dividends on
June 30, 1934.

Dear Sir:

In accordance with established practice, please submit to the Federal Reserve Board, at your early convenience, a certified copy of the resolution of your Board of Directors with reference to the payment of the semi-annual dividend to member banks on June 30.

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMEN OF ALL BANKS EXCEPT MINNEAPOLIS AND CHICAGO*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 21, 1934.
B-989.

SUBJECT: Earnings and dividends reports of State
bank members, Form 107.

Dear Sir:

There have been forwarded to you today under separate cover copies of Form 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending June 30, 1934.

It is requested that reports on this form be obtained not only from State bank members licensed by the Secretary of the Treasury to conduct normal banking operations but also from those which, although not so licensed, have not been formally placed in liquidation or receivership.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDJune 28, 1934
B-991SUBJECT: Call Condition Reports of State Bank
Members and their Affiliates.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the five forms and schedules attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copiesForm

Form 105, Report of condition of State bank member.

Schedule "O", Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form 220, Report of affiliate or holding company affiliate.

Form 220a, Publisher's copy of report of affiliate or holding company affiliate.

Form 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

Kindly mail an appropriate number of copies of these forms and schedules, based on the number required at the time of the last call for reports, to each State bank member that has not been formally placed in liquidation or receivership, or possession of which has not been taken by a conservator or other State official, with the request that the forms and the

accompanying schedules be held pending a call for reports thereon.

There was also forwarded to you at the same time a supply of Federal Deposit Insurance Corporation Form No. 64-c, a copy of which is inclosed. It will be appreciated if you will advise State bank members that the Federal Deposit Insurance Corporation has requested the Board to obtain for it the information called for on this form, and ask them if they will kindly fill out the form and mail two copies thereof to your bank. Both copies should then be forwarded to the Federal Reserve Board.

In order that the Board may have statistical data regarding the aggregate loans and investments, deposits, etc., of State bank members in the hands of conservators or other similar State officials but which have not been formally placed in liquidation or receivership, please also forward three copies of Form 105 to each of such banks with the request that the conservator, or other State official in charge of the bank, fill in the data called for by the form (upon receipt of a call therefor) and mail the report to your bank in duplicate. Please request the officials in charge of such banks to interline the amount of special or segregated deposits, subject to unrestricted withdrawal, against the caption "Unrestricted deposits" following item 17 of "Liabilities", and to interline assets segregated against such deposits opposite appropriate captions on the face of the report and in Schedule I. Officials in charge of such banks should not be asked to furnish the data called for in Schedule "O", nor to have the reports attested by any of the directors of the banks.

Please advise State bank members that, although the amount of rediscounts (as reported against Item 23 of "Liabilities") should not be included in the memorandum section below "Liabilities", the amount of any marginal or

additional collateral that may have been pledged to secure such rediscounts should be reported as "pledged against borrowings", item 35-e, and included in item 34 and items 31, 32 or 33, depending on the character of the collateral.

In connection with the examination made of condition reports before they are forwarded to the Board, it is requested that, in addition to the usual checking, an examination be made particularly of the figures in the new memorandum section relating to loans and investments pledged to secure liabilities in order to determine, so far as practicable, whether the figures there reported appear to be consistent with the amounts of liabilities against which such assets are pledged. It is also suggested that the items shown in Schedules M and N be scrutinized to determine whether the captions indicate clearly the character of transactions represented thereby, and whether or not the amount of any of such items should have been included in appropriate asset and liability items on the face of the report (other than items 14 and 29). In order to avoid unnecessary correspondence the Board should be furnished with copies of any letters sent to member banks in connection with condition reports to which replies have not been received at the time the reports are forwarded to the Board.

It is requested that as promptly as practicable after the issue of the call you inform the Board, with respect to each State whose capital city lies in your district, whether or not State authorities issued a call for condition reports as of the same date as the call issued by the Board, and, if not, the date of the nearest call thereto issued by the State authorities. In case reports submitted in response to such calls were not required to be published, information is requested as to the nearest date when publication

of such reports was required. Extensions of time for the preparation of reports of affiliates may be granted under the same terms and conditions as heretofore authorized.

It has been our practice for a number of years to obtain directly from each State banking department abstracts or summaries of condition reports rendered by State banking institutions. In view of the fact that in many cases such abstracts or summaries are also obtained by Federal Reserve agents, who obtain other data regularly from the State banking departments, you are requested to obtain and furnish the Board, with respect to the current and future calls, for each State whose capital city lies in your district, a copy of the abstract or summary of the condition reports rendered to the State banking department by each separate class of licensed banking institution. Banks in charge of conservators or other similar State officials and banks which are permitted to accept new deposits only in trust should not be included. In the case of any State located partly in another Federal Reserve district, please also furnish a corresponding summary covering banks located in the part of the State embraced in your district. State banking departments should be advised that it will not be necessary hereafter for them to send copies of their abstracts directly to the Board.

In case the number of banks shown in the abstracts or summaries of condition reports does not agree with the number shown in the December 30, 1933 lists of banks, furnished in response to the Board's letter B-944 of

December 26, 1933, after account has been taken of changes in status of banks reported to the Board in your weekly reports of bank changes, please furnish such information concerning the bank changes as will enable us to reconcile the abstracts with the lists.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Inclosures

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

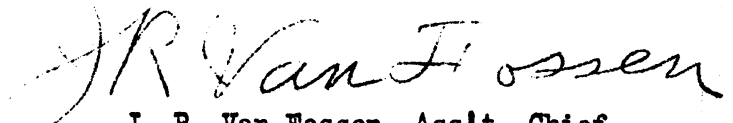
June 28, 1934.
B- 992

SUBJECT: Revised Federal Reserve Bank
Weekly Statement Figures.

Dear Sir:

For your information, and in order that correct comparative figures may be published in the consolidated weekly condition statement of the Federal Reserve banks, if issued at your bank, there are shown in the attached statement revisions made in the weekly Federal Reserve bank press statements issued during the period July 5, 1933 to April 4, 1934, as a result of recent changes in the form of the statement.

Very truly yours,



J. R. Van Fossen, Ass't. Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

ITEMS "RESERVES (F.D.I.C. STOCK, SELF INSURANCE, ETC.)", CODE TRES, AND "ALL OTHER LIABILITIES", CODE TILE, FOR THE CONSOLIDATED WEEKLY STATEMENT OF CONDITION OF FEDERAL RESERVE BANKS FROM JULY 5, 1933, TO APRIL 4, 1934, INCLUSIVE
(In thousand of dollars)

	<u>Reserves (F.D.I.C.Stock, Self Insurance, Etc.)</u>	<u>All Other Liabilities</u>		<u>Reserves (F.D.I.C.Stock, Self Insurance, Etc.)</u>	<u>All Other Liabilities</u>
1933, July 5	12,179	11,857	1933, Dec. 6	12,091	24,054
12	12,108	13,358	13	12,092	27,778
19	12,106	13,160	20	12,092	26,116
26	12,106	13,316	27	12,092	26,496
Aug. 2	12,105	17,431	1934, Jan. 3	22,523	10,036
9	12,105	19,018	10	151,883	12,512
16	12,105	15,349	17	161,823	11,043
23	12,105	16,408	24	161,823	12,150
30	12,105	16,521	31	161,823	12,320
Sept. 6	12,105	16,934	Feb. 7	161,823	21,809
13	12,105	19,684	14	161,824	13,428
20	12,105	19,732	21	161,824	14,129
27	12,103	19,967	28	161,827	16,179
Oct. 4	12,103	21,130	Mar. 7	161,828	17,708
11	12,103	22,018	14	161,829	27,586
18	12,103	24,475	21	161,830	26,350
25	12,103	23,884	28	161,830	28,463
Nov. 1	12,103	21,988	April 4	161,830	24,200
8	12,090	23,409			
15	12,090	22,722			
22	12,090	23,700			
29	12,090	23,588			