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March 28, 1935.

Honorable Duncan U. Fletcher, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

My dear Senator Fletcher:

I understand that some question has been raised as to whether I have complied with that provision of the Federal Reserve Act which forbids any member of the Federal Reserve Board to be an officer or director of any bank, banking institution, trust company or Federal Reserve bank, or to hold stock in any bank, banking institution or trust company, and that opposition to my confirmation as a member of the Federal Reserve Board may be based upon this theory. I desire to state the facts in the matter for your information and for the confidential information of your Committee.

At the time of my appointment as a member of the Federal Reserve Board, I was not an officer or director of any bank, banking institution, trust company or Federal Reserve bank, and held no stock in any bank, banking institution or trust company. I had formerly been an officer and director of a number of banks and had owned a few directors' qualifying shares in such banks; but I resigned as officer and director of all such banking institutions and disposed of all of my stock in such institutions over a year ago, before accepting the position of Assistant to the Secretary of the Treasury. This was not legally necessary; but I severed such connections in order that my position might be free from criticism.

Before my appointment as a member of the Federal Reserve Board, I was a minority stockholder in the First Security Corporation of Ogden, Utah, a holding company engaged in the business of holding the stock of a group of banks located in Utah and Idaho. I owned 4,912 shares of the stock of that Corporation which I had acquired at a cost of \$26.49 per share, making the total cost to me \$130,166.25. I felt that the ownership of that stock would not constitute a technical violation of the Federal Reserve Act but that I should dispose of it in order to remove any question about my compliance with the spirit and purpose of the Act.

The stock was not listed on any stock exchange, however, and, in view of the economic and banking difficulties which this country had been experiencing for a number of years, there appeared to be no market for bank stocks or for the stock of corporations whose principal assets were bank stocks. In the circumstances, I did the only thing which seemed feasible and sold all of my stock in the First Security Corporation to the Eccles Investment Company for \$8.00 per share which was the price agreed upon as a reasonable price under present depressed banking and business conditions, although the conservative book value of such stock was \$14.00 per share, without considering the good will value of a large and well established banking business.

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I sold all my stock in the First Security Corporation to the Eccles Investment Company for the sum of \$39,296.00, thus taking a net capital loss of \$90,870.25, and reported this loss in my income tax return for the year 1934 when I had a net capital gain of only \$1,071.15. In other words, in order to remove any doubt about my compliance with the spirit and purpose as well as the letter of the Federal Reserve Act, I sold my stock in the First Security Corporation at a loss of \$90,870.25 in a year when my capital gains were very small and I could offset only a very small portion of such capital loss against capital gains for income tax purposes. Having taken the loss during the year 1934, I have given up any possibility of obtaining the benefit of that loss by offsetting it against capital gains in some future year when I may have capital gains.

The Eccles Investment Company is a holding company which is not principally engaged in the business of holding bank stocks but holds a large variety of investments, including real estate, bonds, notes and stocks of corporations engaged in widely diversified types of business. Moreover, I am not the principal stockholder of the Eccles Investment Company but own less than 9 per cent of its total stock. The Eccles Investment Company, in turn, owns only about 15 per cent of the stock of the First Security Corporation.

Before accepting appointment as a member of the Federal Reserve Board, I considered this subject very carefully and acted in entire good faith in doing everything within my power under the existing conditions to comply with the spirit and purpose as well as the letter of the Federal Reserve Act.

After I became a member of the Federal Reserve Board, some question was raised about this subject and I discussed the subject with the Board's General Counsel who assured me promptly that I was clearly complying with the purpose and spirit as well as the letter of the law. Subsequently, I asked him to give me a written opinion on the subject, which he did, and that opinion is enclosed herewith for your information.

For your further information, I may say that I am nominally an officer and director of the Eccles Investment Company but I take no active part whatever in the management of the company and leave its management entirely to my brothers. If, however, you or your Committee consider that there is any impropriety in my retaining these positions nominally, I shall be very glad to resign from them.

Very truly yours,

Marriner S. Eccles
Governor.

Enclosure.