

10/30/33
A meeting of the Federal Reserve Board was held in Washington on Monday, October 30, 1933, at 3:00 p. m.

PRESENT: Mr. Szymczak, Presiding
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Thomas
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Paulger, Chief of the Division of Examinations
Mr. Leonard, Federal Reserve Examiner
Mr. Boatwright, Assistant Counsel

There was presented a memorandum dated October 27, 1933, prepared by the Board's Division of Examinations, with regard to the application filed on behalf of The Merrill Trust Company, Bangor, Maine, for membership in the Federal Reserve System, to which reference was made at the meeting of the Board on October 26, 1933; the memorandum recommending approval of the application, subject to certain conditions set forth therein. There was also presented a memorandum dated October 30, 1933, from Mr. Boatwright, Assistant Counsel, recommending that if the application be approved by the Board, the approval be made subject to certain conditions in addition to those recommended by the Division of Examinations.

In the ensuing discussion, it was pointed out that it is proposed to organize the new bank on behalf of which the application for membership is made by the old Merrill Trust Company, under a special act of the legislature which is to be called into special session for

10/30/33

-2-

that purpose; that the constitution of Maine provides that corporations may be formed under general laws, but no corporation shall be created by a special act of the legislature, except municipal corporations, and except in cases where the objects of the corporation cannot be attained otherwise; and that, in view of this provision of the constitution, the proposed special act under which the applicant trust company would be organized would be of doubtful constitutionality, and it is questionable whether the Board should approve the application in such circumstances. Mr. Boatwright stated that this difficulty could be met by the State legislature enacting a general law under which the proposed reorganization could be effected, or, in the event the special act is passed, it would seem that the Board may properly offer no objection, provided the Supreme Court of the State renders an advisory opinion that such special act is valid and not in violation of the constitutional prohibitions; and that the conditions of membership suggested in his memorandum would provide for such alternative procedures.

Attention was also called to the fact that the old bank is operating eleven branches outside of the city of Bangor which will be taken over by the applicant institution, and that while the bank has sufficient capital to maintain such branches and may lawfully establish them, if the proposed trust company is admitted to membership, the consent of the Comptroller of the Currency to the establishment of the branches will be required in accordance with the provisions of section 9 of the Federal Reserve Act. Mr. O'Connor stated that if the proposed plan of reorganization is satisfactory to the Board and the application

10/30/33

-3-

of the proposed Merrill Trust Company for membership in the Federal Reserve System is approved by the Board, he will approve the establishment of the branches referred to.

Mr. Hamlin stated that he was in Boston over the week-end and discussed the application of The Merrill Trust Company with Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston and Governor Young; that there is continued evidence of loss of confidence in the present Merrill Trust Company, which is the largest bank in New England east of Boston; and that Messrs. Curtiss and Young strongly recommend the approval of the application on any conditions which the Board sees fit.

Mr. Hamlin then moved that the application be approved, subject to the conditions recommended by the Division of Examinations and the Legal Division.

Carried, Mr. James voting "no".

At this point Mr. O'Connor left the meeting.

The Board then considered and acted upon the following matters:

Letter dated October 26, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated October 27, 1933, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and October 28, 1933, from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase. The schedule of currently effective minimum buying rates on bankers' acceptances shown in Mr. Sproul's letter included a repurchase rate of 1/2%, which is a reduction

10/30/33

-4-

from the rate of 1% shown in his letter of October 19, 1933, and which, while not included in the schedule of buying rates on bankers' acceptances reported in Deputy Governor Burgess' telegram of October 20, apparently was made effective on that date.

Without objection, noted with approval.

Letter dated October 27, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by four members of the Board, replying to Assistant Federal Reserve Agent Young's letter of October 16 concerning the temporary appointment of several examiners in the Federal reserve agent's department and their transfer to the Federal Deposit Insurance Corporation. The reply noted that Lyman C. Sorensen, whose appointment was approved by the Board on October 14, 1933, had been recalled from service with the Federal Deposit Insurance Corporation and restored to the bank's payroll effective October 15, 1933; that Arthur S. Knudson was transferred to the insurance corporation on October 2, 1933; and that Harry Dearborn (credit department), Roy Peterson (operating department) and Henry Tesmer (operating department) had been temporarily assigned to duty with the Federal Deposit Insurance Corporation as assistant examiners for that corporation. The reply stated that, in view of the statement concerning the indebtedness of Harold G. Hudson, the Board approves his appointment as examiner, at the salary rate of \$4,000 per annum, effective September 25, 1933; and that the Board also approves the appointment of Harold M. Cox as examiner, with salary at the rate of \$3,600 per annum, effective September 22, 1933. The reply noted also that Arthur S. Knudson was transferred to the Federal Deposit Insurance

10/30/33

-5-

Corporation as of October 2, 1933; that Herbert W. Sadler has not been transferred to that organization; and that the correct title of E. H. Anderson is assistant examiner; and stated that, upon receipt of further information concerning the indebtedness of H. C. Crays, W. J. Penningroth and H. W. Sadler, their names will again be given consideration by the Board and the agent will be advised of the action taken.

Approved.

Telegraphic reply on October 27, 1933, approved by five members of the Board, to a letter dated October 18 from Mr. Walsh, Federal Reserve Agent at Dallas, inclosing a statement of indebtedness of Mr. H. O. McCallon, who is employed temporarily by the bank as an examiner, and requesting the Board's views as to Mr. McCallon's eligibility for continued service as a temporary examiner. The reply stated that, in view of Mr. McCallon's indebtedness to national banks in Texas, including a loan which was criticized in the last report of examination of the First National Bank, Emory, Texas, the Board feels that the temporary arrangement under which he is now employed should be terminated as soon as practicable and his services discontinued if he cannot meet the requirements set out in the Board's letter of October 14, 1933, (X-7638); and requested that the agent advise the Board of the action taken. The reply stated also that it appears possible that the loans by national banks to Mr. McCallon constitute violations of the criminal provisions of section 22 of the Federal Reserve Act, but that, before the Board takes any action in this connection, it will be appreciated if the agent will give the Board a detailed report regarding this phase

10/30/33

-6-

of the matter.

Approved.

Reply on October 27, 1933, approved by five members of the Board, to a letter dated October 17 from Mr. Austin, Federal Reserve Agent at Philadelphia, advising that he had resigned as a director of the Philadelphia Bourse and that his resignations as Treasurer of the Philadelphia Chamber of Commerce and as director of the Theodore Presser Company and the Ditson Company will be presented at the next meetings of the respective boards of directors. The reply stated that it does not appear that the Board has been advised previously of the agent's affiliation with the Ditson Company; that it is assumed that this institution is the Oliver Ditson Company of Boston referred to in the agent's letter of August 26, 1933, as being controlled by the Theodore Presser Company; and that it will be appreciated if he will confirm this assumption. The reply also referred to the request contained in the agent's letter of October 17, 1933, that he be permitted to continue as a director of the Insurance Company of the State of Pennsylvania until the annual meeting of the board of directors of that institution which will occur about the first of the year, when he would retire with the old board of directors rather than resign, and stated that, while the Board feels that it would be desirable for the agent to sever his connection with the company promptly, in view of the circumstances set out in his letter, the Board will interpose no objection to his continuing as a director of the company until the annual meeting of the board of directors, it being understood that he will not be

10/30/33

-7-

reappointed at that time; and that it is requested that he advise the Board when his service as a director of the company is terminated. The reply stated further that, in this connection, the Board does not have any record of having received a report of indebtedness and outside business affiliations of Mr. E. C. Hill, Assistant Federal Reserve Agent, which the agent stated in his letter of July 11, 1933, would be forwarded to the Board, nor has it received reports of outside business affiliations of officers and employees occupying responsible positions in the departments of the bank, other than the Federal reserve agent's department, which were requested in the Board's letter of April 29, 1933, and that it will be appreciated if the agent will advise the Board when these reports may be expected.

Approved.

Reply on October 26, 1933, approved by five members of the Board, to a letter dated October 17 from Mr. Newton, Federal Reserve Agent at San Francisco, advising that he has tendered his resignation as a director of the Union Oil Company of California, and that the resignation will be presented at the next meeting of the board of directors of the company on October 30, 1933. The reply stated that it is assumed that the agent will advise the Board when the resignation has been accepted. The reply stated also that the Board has received Governor Calkins' letter of October 18, 1933, from which it is noted that a resolution adopted by the board of directors of the bank provides that no salaried officer of the bank or any of its branches shall act as an officer, director or employee of any firm or corporation conducted

10/30/33

-8-

for profit, or be identified with or actively engaged in any outside business interests, but that all such officers during the term of their employment by the bank shall give their entire time and attention to the affairs of the bank; that Governor Calkins also states that the application form signed by all employees of the bank contains a promise of the employee to devote his entire time, energy and ability to the exclusive service of the bank; and that Governor Calkins inquires whether, in view of these circumstances, an inquiry should be addressed to the officers and employees of the bank with regard to outside business interests. The reply stated further that the Board feels that it is important that it have definite information with regard to outside business affiliations of all officers, heads of departments and employees occupying responsible positions in Federal reserve banks, or as to the absence of such affiliations; that, while it appears from Governor Calkins' letter that there is very little likelihood of the existence of outside business affiliations on the part of officers and employees of the Federal Reserve Bank of San Francisco except the unimportant cases referred to by Governor Calkins, the resolution referred to was adopted nine years ago and Governor Calkins states that no recent inquiry has been addressed to the bank's employees; and that, therefore, the Board will appreciate it if the necessary inquiry is made in accordance with the Board's letter of April 29, 1933, and the Board advised of the results thereof.

Approved.

Letters dated October 27, 1933, approved by five members of the

10/30/33

-9-

Board, to the boards of directors of the following named banks, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

<u>Applicant Bank</u>	<u>Federal Reserve Bank</u>
"The Farmers and Merchants Bank Company", Christiansburg, Ohio	Cleveland
"Springfield Marine Bank", Springfield, Illinois	Chicago
"Farmers & Merchants State Bank", Presho, South Dakota.	Minneapolis

Approved.

Telegram dated October 28, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by four members of the Board, referring to the application of the "Farmers and Merchants State Bank", Seneca, Wisconsin, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Farmers and Merchants State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated October 26, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by six members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of October 11 advising

10/30/33

-10-

of a request by the Cleveland Trust Company, Cleveland, Ohio, to withdraw its application for permission to operate a branch in the quarters of the South Euclid Bank, South Euclid Village, Ohio, and that the trust company now desires to absorb the South Euclid Bank and transfer its business to an existing branch of the trust company located adjoining the village of South Euclid. The reply stated that, from the information submitted, it would appear that the proposed transaction would not result in any change in the character of the assets of the Cleveland Trust Company or broadening in the functions now exercised by it within the meaning of the general condition under which the trust company was admitted to the Federal Reserve System, and that, in accordance with the agent's recommendation, the Board will interpose no objection to the transaction, subject, of course, to the approval of the transaction by the Superintendent of Banks of Ohio and provided that counsel for the Federal reserve bank is satisfied with the legal aspects of the absorption contract and that the transaction will not result in any change in the corporate existence of the Cleveland Trust Company which might affect its membership in the Federal Reserve System irrespective of any possible violation of the general condition of membership referred to.

Approved.

Reply on October 27, 1933, approved by five members of the Board, to a letter dated October 4 from Mr. Stewart, Assistant Federal Reserve Agent at St. Louis, inclosing a copy of correspondence with the Kentucky Title Trust Company, Louisville, Kentucky, with regard to the value at which its preferred stock should be reported in its condition

10/30/33

-11-

reports. The reply stated that it appears that, while the Kentucky Title Trust Company must pay a premium of 10% on any preferred stock which its stockholders and directors may decide to redeem and retire, there is no obligation on the bank to redeem such stock except in case of liquidation, in which event the preferred stockholders would be entitled only to the par value of their stock plus accrued dividends; that the Board is, therefore, of the opinion that the retirable value of the bank's preferred stock, as shown in condition reports on form 105, should be identical with the par value of such stock; and that the June 30 condition report of the bank on file with the Board has been changed accordingly.

Approved.

Letter dated October 27, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, replying to Assistant Federal Reserve Agent Young's letter of October 3 inclosing a letter from the President of the Marion National Bank of Marion, Indiana, in regard to the application of that bank for full fiduciary powers, limited powers having been granted it by the Board on August 14, 1933. The reply stated that the Board feels that, before acting upon the application for full fiduciary powers, it should have the benefit of the detailed information regarding the current condition and the conduct of the affairs of the bank by its management which should be disclosed by a new examination, and that, since it appears likely that such an examination will be made in the near future, it is the view of the Board that it should not act upon the application prior to the

10/30/33

-12-

submission of the report of such examination, together with the agent's recommendation, in accordance with the Board's letter of September 16, 1933.

Approved.

Letter dated October 27, 1933, to Mr. F. C. Gustafsson, Cashier of the "Red River National Bank of Grand Forks", Grand Forks, North Dakota, approved by three members of the Board, referring to the resolution adopted by the board of directors of the bank signifying the bank's desire to surrender its right to exercise the trust powers which had been granted to it by the Board. The reply stated that the Board understands that the Red River National Bank has been discharged or otherwise properly relieved in accordance with law of all of its duties as fiduciary; and that the Board has issued a formal certificate, which was inclosed with the letter, to the national bank certifying that it is no longer authorized to exercise any of the fiduciary powers granted by the provisions of section 11(k) of the Federal Reserve Act. The reply stated also that, in this connection, attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers granted by section

10/30/33

-13-

11(k) of the Federal Reserve Act except with the permission of the Board.

Approved.

Letter dated October 26, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of September 21 recommending approval of the reduction in capital of "The First National Bank of Ocilla", Ocilla, Georgia, from \$75,000 to \$50,000; the released capital in the amount of \$25,000, together with surplus funds of \$15,500 and undivided profits of \$5,983.40, to be used to eliminate criticized assets aggregating \$46,483.40. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the condition set forth in the reply. The reply stated also that it is noted that the Comptroller's recommendation provides for an increase in the capital by the sale of \$25,000 preferred stock prior to the time when the reduction in common capital becomes effective; that it appears, however, that the eliminations to be made under the plan submitted are greater than the assets classified by the examiner in his report of June 8, 1933, as doubtful and loss and depreciation on securities, that after the proposed reduction and eliminations are made the bank's common capital and surplus will be 33% of its total deposits, and that at present approximately 50% of the bank's unsecured deposits is represented by cash and amounts due from banks; and that, in view of these facts, the Board does not feel it necessary for it to include the sale of the preferred stock as a condition of its approval of the reduction in common capital.

Approved.

10/30/33

-14-

Letter dated October 27, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of October 10 recommending approval of a reduction in capital of "The American National Bank of Denver", Denver, Colorado, from \$500,000 to \$250,000 in accordance with a plan which provides also for the sale of \$300,000 preferred stock; the released capital in the amount of \$250,000, together with \$205,959.36 of surplus and undivided profits, and funds in the amount of \$76,241.04 made available by a loan on eliminated assets and a directors' contribution, to be used to eliminate depreciation and unacceptable assets in the amount of \$532,200.40. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter dated October 27, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of October 2 recommending approval of a reduction in the capital stock of "The First National Bank of Norway", Norway, Michigan, from \$75,000 to \$50,000 in accordance with an amended plan of reorganization of such bank which provides for the surrender of the present capital stock of \$75,000, the resale of \$50,000 of such surrendered stock at a premium of \$8,500 which will be credited to surplus, the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation and a waiver by unsecured creditors of 36% of their net claims; the released capital in the amount of \$75,000, together with the bank's surplus, undivided profits and reserves of \$33,715.70 and \$342.71 of the

10/30/33

-15-

premium on the sale of new common stock, and funds amounting to \$300,917.88 made available by the waiver of 36% of the net claims of unsecured creditors, to be used to eliminate losses, depreciation and unacceptable assets in the amount of \$409,976.29, such assets to be trusteeed for the benefit of the waiving creditors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter dated October 27, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of September 26 recommending approval of a reduction in common capital stock of "The First National Bank of Lewiston", Lewiston, Maine, from \$400,000 to \$200,000, in accordance with a plan of recapitalization which provides also for an immediate increase of \$200,000 in common capital stock and the sale of \$400,000 in preferred stock to the Reconstruction Finance Corporation; the released capital of \$200,000, together with the bank's present surplus, undivided profits and reserves of approximately \$701,000, to be used to eliminate criticized assets and securities depreciation in the amount of approximately \$901,000. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply stated also that it would appear that, in the event of retirement of the preferred stock, the common capital of the bank would be inadequate to support its deposit liability, and that it is assumed that the Comptroller's office will require that provision be made for

10/30/33

-16-

the issuance of additional common stock, as and when such preferred stock is retired, in order that a satisfactory ratio of capital to deposits may be maintained.

Approved.

Telegraphic reply on October 27, 1933, approved by four members of the Board, to telegrams dated October 20 and 23 from Mr. Clerk, Deputy Governor of the Federal Reserve Bank of San Francisco, with regard to a reduction in the capital of a member State bank. The reply stated that the Board has heretofore ruled that a member State bank may not while remaining a member bank reduce its capital below the amount required for the organization of a national bank in a place in which the State bank is located. The reply also stated that, as suggested by Mr. Clerk, there is no legal objection to a member State bank located in a place with a population not exceeding 3,000 inhabitants withdrawing from membership, reducing its capital to \$25,000, and applying for readmission to membership; that such a bank would be eligible for admission to membership in so far as its capital is concerned; but that all circumstances involved in the particular case would be considered by the Board in determining whether or not the bank should be readmitted to membership; and that, if any such bank should have been organized after June 16, 1933, it would not be eligible for admission to membership unless at the time of admission it was entitled to the benefits of insurance under the provisions of section 12B of the Federal Reserve Act.

Approved.

Telegraphic reply on October 27, 1933, approved by five members

10/30/33

-17-

of the Board, to a telegram dated October 17 from Mr. Wood, Federal Reserve Agent at St. Louis, inquiring as to whether the Lincoln Bank and Trust Company, Louisville, Kentucky, which published its own condition report on July 8, 1933, will be required to publish again a report of its condition with a report of its affiliate, the General Property Company. The reply stated that, in general, the Board feels that State member banks should publish their own condition reports along with reports of their affiliates in order to make available to the public the information contemplated by the Banking Act of 1933; that it is understood, however, that the General Property Company has been dissolved and liquidated; and that, accordingly, if its obligations to the Lincoln Bank and Trust Company have been discharged, the member bank need not republish its own condition report along with a report of its affiliate.

Approved.

Telegraphic reply on October 28, 1933, approved by three members of the Board, to a telegram dated October 27 from Mr. Sargent, Assistant Federal Reserve Agent at San Francisco, stating that the Trans America Corporation has raised the question as to whether it should file an application for a voting permit with the Federal Reserve Bank of San Francisco or with the Federal Reserve Bank of Philadelphia; that the corporation is a Delaware corporation with its legal office at Wilmington, Delaware, although its principal business is transacted in its San Francisco office; that all member banks controlled by the corporation are located in the Twelfth Federal Reserve District; and that,

10/30/33

-18-

in the circumstances, it would appear that the application should be filed with the San Francisco bank as it is in possession of the necessary reports and other information upon which to base a recommendation. The reply stated that, upon the facts stated in Mr. Sargent's telegram, the Trans America Corporation should file an application for a voting permit with the Federal Reserve Agent at San Francisco even though it is a Delaware Corporation with its legal office at Wilmington.

Approved.

Reply on October 26, 1933, approved by six members of the Board, to a letter dated October 11 from Mr. C. Clinton James, Washington, D. C., in which he raised certain questions with respect to the definition of an "affiliate" in paragraph 3 of subsection (b) of section 2 of the Banking Act of 1933. In response to the first question asked by Mr. James as to whether the situation presented by a case in which a majority of the board of directors of a building association are directors of a national bank would be affected by the definition referred to, the reply stated that it seems clear that such a situation is affected by the definition in question as, under that definition, the building association is an affiliate of the national bank in question. In response to the second question raised by Mr. James as to whether, if the directors of the building association are directors in more than one bank, that would affect the situation, the reply stated that, if the question is correctly understood, it refers to the situation which is presented if three directors of a building association, having a board of directors composed of ten members, are directors of the X National

10/30/33

-19-

Bank and three other members of the board of the building association are directors of the Y National Bank and no one of the directors of the building association is a director of any other bank, and that upon such facts it is the opinion of the Board that the building association is not an affiliate of any bank by reason of the part of the statutory definition which is contained in paragraph 3 of subsection (b) of section 2 of the Banking Act of 1933.

Approved.

Reply on October 27, 1933, approved by five members of the Board, to a letter dated October 7 from Mr. Charles E. Terwilliger, President of The Wallkill National Bank, Wallkill, New York, with further reference to the right of the bank to pay interest at the rate of 3 1/2% on special interest department accounts during the period from July 1, 1933, to December 31, 1933. The reply stated that the Board has again considered the question presented, and that it is the view of the Board that no contract between the bank and its depositors for the payment of interest at the new rate could legally have been consummated until the terms of such contract were accepted by the depositors, either by allowing their deposits to remain in the bank after June 30, 1933, or by depositing funds in the bank after that date, and that, therefore, the contract was not entered into prior to June 16, 1933, and in force on that date; and that, accordingly, the Board remains of the opinion that the bank may not lawfully pay interest on savings deposits accruing after October 31, 1933, at a rate in excess of the maximum prescribed in Regulation Q, namely, 3% per annum compounded semiannually. The

10/30/33

-20-

reply stated also that, moreover, even if the view held by Mr. Terwilliger were correct, it would appear from Rule No. 12 contained in the passbook inclosed in his letter that the bank might lawfully terminate any contract with respect to the payment of interest entered into prior to June 16, 1933, after notice of such intended termination shall have been posted in the bank for a period of thirty days.

Approved.

Reply on October 27, 1933, approved by four members of the Board, to a letter dated September 18 from Mr. John A. Sibley, Atlanta, Georgia, referring to the definition of an affiliate contained in paragraph 2 of subsection (b) of section 2 of the Banking Act of 1933, and inquiring as to whether the control by shareholders referred to in this paragraph is limited to the control by shareholders acting in unison or concert. The reply stated that the definition makes no such express qualification and in the opinion of the Board affords no justification for so limiting the meaning of the words by implication. In response to Mr. Sibley's inquiry as to whether an affiliation results if investors acting separately happen to own more than 50% of the number of shares voted for the election of directors of a member bank at the preceding election and also own more than 50% of the shares of stock of a corporation of the kind referred to in paragraph (b), the reply stated that, if the ownership of more than 50% of the shares of stock of the corporation means the ownership of more than 50% of the shares entitled to vote, it would seem that such ownership constitutes control through stock ownership within the meaning of the paragraph referred to and that such

10/30/33

-21-

corporation is accordingly an affiliate of the member bank under the statutory definition.

Approved.

Reply on October 27, 1933, approved by four members of the Board, to a letter dated September 11 from Governor Geery of the Federal Reserve Bank of Minneapolis; the reply reading as follows:

"Reference is made to your letter of September 11, 1933, requesting an interpretation of Section 33 of the Banking Act of 1933.

"You state that the employees of a certain corporation had pledged stock owned by them in that corporation as collateral security for loans made to them by various banks and that, when the stock market broke in 1929, the corporation took over these loans and has since been allowing its employees to make payments periodically in reduction thereof. You further state that this corporation does not make a business of making loans on securities, nor does it intend to make any further such loans. In view of these facts, you ask to be advised whether Section 8A of the Clayton Antitrust Act, as amended by Section 33 of the Banking Act of 1933, prohibits the officers of such corporation from serving at the same time as directors of a national bank after January 1, 1934.

"That section refers to organizations, 'which shall make loans secured by stock or bond collateral', and it does not, therefore, apply to an organization which shall not actually make loans secured by stock or bond collateral after January 1, 1934, even though such organization is authorized to do so, and although previously made loans remain outstanding. Accordingly, if the corporation to which you refer shall make no further loans secured by stock or bond collateral, Section 8A would not prohibit its officers from serving at the same time as directors of a national bank."

Approved.

Reports of Standing Committee dated October 27 and 30, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Millbury National Bank, Millbury, Massachusetts	68	68

10/30/33

-22-

<u>Applications for ORIGINAL Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 4.</u>		
First National Bank at Wilkinsburg, Pennsylvania	135	135
<u>District No. 7.</u>		
National Bank of Adrian, Adrian, Michigan	82	82
<u>District No. 9.</u>		
Farmers National Bank in Chinook, Montana	33	33
<u>District No. 12.</u>		
Lewiston National Bank, Lewiston, Idaho	72	72
	<u>Total</u>	<u>390</u>

Approved.

Thereupon the meeting adjourned.

Walter M. M. M.
Secretary.

Approved:

Mrs. M. M. M.
Chairman, Executive Committee.