

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, March 9, 1934, at 3:00 p. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. James
Mr. Szymczak

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

The Committee considered and acted upon the following matters:

Letter dated March 8, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated March 9, 1934, from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, 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.

Without objection, noted with approval.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Your letter February 27. Board approves appointment Hobart L. Mathias and Paul E. Schroeder as assistant examiners in Federal Reserve Agent's department your bank at present salary rates of \$2,100 each per annum. Please advise dates commissioned."

Approved.

Letter dated March 8, 1934, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of February 28, 1934, referring further to the question of the disposition by Mr. Charles C. Hall, Assistant Federal Reserve Agent, of the stock owned by

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"him in the Idabel National Bank, Idabel, Oklahoma, and transmitting the suggestion of Mr. Hall that he make a bona fide gift of the stock to his mother, who is almost wholly dependent upon him for support, a new stock certificate to be issued in her name for her use and benefit. It is understood from your letter that this suggestion is made by Mr. Hall because of his inability to dispose of the stock in the market at a fair price and his desire to have some member of his immediate family receive the full benefit of the value of the stock.

"In view of all the circumstances set forth in your letter, the Board will interpose no objection to a transfer of the stock by Mr. Hall to his mother in accordance with his suggestion."

Approved.

Letter to the board of directors of the "Bank of Perryville", Perryville, Missouri, 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 appropriate amount of stock in the Federal Reserve Bank of St. Louis.

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There are transmitted herewith for your consideration applications of The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania, a member bank, (hereinafter referred to as The Pennsylvania Company) for permission to establish a branch at Ardmore, Pennsylvania, after absorbing the Main Line Trust Company, Ardmore, Pennsylvania, a nonmember bank, and to establish a branch in Upper Darby Township, Delaware County, Pennsylvania.

"Ardmore is an unincorporated place located in lower Merion Township adjacent to the City of Philadelphia, and has a population of approximately 20,000 inhabitants. The Main Line Trust Company, the only banking institution operating in Ardmore, was organized in November, 1932, by The Pennsylvania Company which declared a special dividend of \$491,000 for the purpose of subscribing to all of the shares of the Main Line Trust Company except directors' qualifying shares, the shares so purchased being trustee for the benefit of the shareholders of The Pennsylvania Company. It is proposed to merge the Main Line Trust Company into The Pennsylvania Company and establish a branch at Ardmore. The capital stock of

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"the Main Line Trust Company will be surrendered and the value of the stock held by the trustees will be credited to the surplus account of The Pennsylvania Company.

"Upper Darby Township is located in Delaware County adjacent to the city of Philadelphia and has a population of 46,600 inhabitants. The location of the proposed branch is in a business and residential district approximately one mile beyond the city limits of Philadelphia and said to be probably the busiest retail shopping district outside of downtown Philadelphia. At the present time this section of Upper Darby Township has no banking facilities.

"The Federal Reserve Agent at the Federal Reserve Bank of Philadelphia has recommended approval of the applications to establish the branches. The Board is of the opinion that the establishment and operation of the branches at Ardmore and in Upper Darby Township is in accordance with the provisions of the Federal Reserve Act governing the establishment of branches by a State member bank with the understanding that such establishment is approved by the appropriate State authorities and provided your approval thereof is given. It is recommended, therefore, that you approve the establishment and operation of the branches at Ardmore and in Upper Darby Township by The Pennsylvania Company for Insurance on Lives and Granting Annuities on the conditions that:

1. The establishment and operation of the branches at Ardmore and in Upper Darby Township by The Pennsylvania Company for Insurances on Lives and Granting Annuities shall be approved by the appropriate State authorities; and
2. That prior to the establishment of such branches, The Pennsylvania Company for Insurances on Lives and Granting Annuities, if it has not already done so, shall charge off or otherwise eliminate losses of \$8,126,717 on loans and other assets, as shown in the report of examination as of June 17, 1933, made by an examiner for the Department of Banking of the State of Pennsylvania, and all depreciation on stocks and defaulted securities and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

"The attached file contains copies of the latest reports of examination of The Pennsylvania Company and the Main Line Trust Company, together with other pertinent data and copies of memoranda prepared by the Board's Division of Examinations. It will be appreciated if you will return this file when it has served your purpose."

Approved.

Telegram to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

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"Referring to letter addressed by your counsel to Mr. Evans on March 9, 1934, with regard to validity of agreements executed in connection with reorganization of The Peoples Bank and Savings Company, Cincinnati, Ohio, you are advised that opinion of your counsel with regard to such agreements as contained in that letter can be considered as complying with Board's requirements as set out in condition numbered 23 in Board's letter to The Peoples Bank and Savings Company of November 21, 1933, provided such opinion is satisfactory to you in view of all circumstances involved. Regarding your wire of March 6, 1934, in connection with application of The Peoples Bank and Savings Company, Board agrees with your recommendation that collection of assessment on approximately \$170,000 of the stock and sale of the remainder of the stock under plan as submitted be considered compliance with condition numbered 18 as regards collection of assessment."

Approved.

Telegram dated March 8, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Refer your telegram March 5, 1934, re application 'Blue Earth State Bank', Blue Earth, Minnesota. Board grants an extension of time to April 7, 1934 within which the bank may accomplish its admission to membership."

Approved.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, referring to the application of "The Greenfield Bank", Greenfield, Tennessee, 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 Greenfield Bank, the Federal Reserve Bank of St. Louis is authorized to cancel such stock and make a refund thereon.

Approved.

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Telegram dated March 8, 1934, approved by six members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, referring to the application of the "Eastern Oregon Banking Company", Shaniko, Oregon, 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 Eastern Oregon Banking Company, the Federal Reserve Bank of San Francisco is authorized to cancel such stock and make a refund thereon.

Approved.

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

"Receipt is acknowledged of Mr. Young's letter of February 10, 1934, in regard to the application of 'The Central National Bank at Battle Creek', Battle Creek, Michigan, and recommending that limited trust powers be granted, with which was transmitted a copy of a letter from the president of the applicant bank to Mr. Young, dated February 8, 1934, a copy of a letter from Chief National Bank Examiner Taylor to the Comptroller of the Currency, dated January 15, 1934, and a certified copy of the minutes of the directors' meeting of the applicant bank of January 11, 1934, showing changes in the official personnel and an amendment to the by-laws.

"The Board has reviewed the information submitted, from which it is noted that the changes in management which have been made only involve changes in status of the existing official personnel the effect of which remains to be demonstrated, and that the officials most severely criticized in the past are still connected with the bank, although with restricted authority. In view of these facts, and the further fact that the new institution has not as yet been examined by the national examiners, the Board, as stated in its letter to you of January 22, 1934, is unwilling to act upon the application for fiduciary powers until an examination of the bank has been made and a report thereof is available, at which time both the general condition of the bank and the competency of its management may more satisfactorily be determined.

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"Please advise the applicant bank of the Board's position in the matter of its application."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The National Bank of Westfield', Westfield, New York, from \$150,000 to \$75,000 pursuant to a plan which provides that the bank's capital shall be increased by \$125,000 Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$75,000 Class 'B' preferred stock to be sold locally, and that the released capital shall be used to eliminate depreciation in securities, all as set forth in your memorandum of February 23, 1934."

Approved.

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

"This refers to your letter of January 25, 1934, and your telephone conversation with Mr. Wingfield, Assistant Counsel, on March 1, 1934, regarding the reduction of capital stock of the Farmers and Merchants State Bank, Lakeview, Michigan, from \$40,000 to \$25,000 which it is understood became effective on January 26, 1934.

"It has been observed that Lakeview has a population of approximately 850 inhabitants, and a capital of \$50,000 is required for the organization of a national bank in a place of that size. The Board has previously ruled that a State member bank may not, while remaining a member bank, reduce its capital stock below the amount required for the organization of a national bank in the place in which the State bank is located, and, since the capital of the Merchants State Bank was less than \$50,000, the reduction of its capital constitutes a violation of the requirements of the Federal Reserve Act for which the bank's membership in the Federal Reserve System might be forfeited in accordance with the provisions of Section 9 of the Federal Reserve Act. However, the question whether such action should be taken is one of policy for the Board's consideration in view of all the circumstances involved in the particular case, and in this connection it will be appreciated if you will advise as to what plans the bank is making to increase its capital and furnish the Board with any

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"facts involved in this case indicating whether any action should be taken by the Board and give the Board your recommendation in the premises."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of February 26, 1934, with reference to the proposed capital reduction of The State National Bank of Texarkana, Texarkana, Arkansas, which was approved by the Board December 30, 1933, with the understanding that the released capital was to be applied to eliminating sub-standard assets and securities depreciations.

"It now appears that the bank desires to be permitted to charge off \$50,000 of undesirable assets and transfer the remainder of the released capital to undivided profits, in accordance with the plan as originally submitted by it, and that this procedure is approved by you and by the Federal Reserve Agent and Chief National Bank Examiner for the district in which the subject bank is located.

"The Board approves the proposed reduction in capital stock in accordance with the recommendation and the amended condition set forth in your memorandum of February 26, 1934."

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Forest Grove', Forest Grove, Oregon, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate undesirable assets, all as set forth in your letter of February 20, 1934."

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

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"In its application for a permit under authority of Section 5144 of the Revised Statutes, as amended, entitling it to vote its stock of The Mechanics National Bank of Providence, Providence, Rhode Island, the Industrial Trust Company, also of Providence, Rhode Island, incorporated by reference a letter to you dated December 20, 1933, and signed by F. M. Howe, its president, in which it expressly reserved the right to withdraw its application in the event that the Board's interpretation of the term 'actual net earnings' as used in Section 5144, as amended by Section 19(e) 4 of the Banking Act of 1933, should be contrary to the applicant's understanding of the meaning of the term. Because of this reservation the Board was of the opinion that the applicant had not in its application made all of the agreements which the statute required and that the Board was therefore without authority to grant even a limited voting permit on the basis of the application as filed.

"Prior to the filing of its application the Industrial Trust Company requested the Federal Reserve Board to give its interpretation of the term 'actual net earnings' as used in Section 5144. The Board has not complied with this request and believes that it should not attempt to define the term until such time as the request is made on the basis of specific facts which are brought to the Board's attention and with respect to which any ruling of the Board would be strictly confined. A recent conversation between Mr. George H. Huddy, Jr., representing the Industrial Trust Company and a member of the Board's staff, indicates that the applicant would be willing to remove the reservation from its application if it could be assured that the term 'actual net earnings' is not to be construed as limited to current net earnings. In the opinion of the Board the term 'actual net earnings' as used in Section 5144, as amended, and in paragraph 7 of the Board's form of application (F.R.B. Form P-1) includes accumulated actual net earnings and is not confined to actual net earnings for a current period.

"Will you advise the applicant accordingly and notify it that it should advise you in writing in the event that it wishes to withdraw from its application the reservation contained in the letter referred to above?"

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Board is in receipt of applications of Pacific Eastern Corporation, New York City, New York, and Atlas Corporation, Jersey City, New Jersey, for voting permits under authority of

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"Section 5144 of the Revised Statutes, as amended, with respect to stock of the American Trust Company, San Francisco, California. The Board's consideration of the applications has not been completed but it is noted that on F.R.B. Form P-1, constituting the body of the application, each of the applicants has inserted certain notes and provisos which have the effect of explaining and possibly of qualifying the agreements therein contained.

"The printed form of application was prepared by the Board in order to embody the agreements required by the statute and such other agreements as in the opinion of the Board were necessary in order that the granting of voting permits would be in the public interest. Although the Board does not wish to insist arbitrarily upon a certain phraseology, it is reluctant to permit one applicant to depart from the form of application which has been obtained from other holding company affiliates and is unwilling to grant voting permits to Pacific Eastern Corporation or Atlas Corporation on the basis of the altered forms of application which have now been submitted. The Board understands, however, that certain of the typewritten additions to the forms may have been inserted with the intention not of limiting the scope of the agreements but of clarifying the meaning of the words used. If this is the case the Board prefers to make necessary clarifications by rulings upon the basis of facts specifically brought to its attention.

"With respect to the question raised in connection with the application of Atlas Corporation as to whether the agreement contained in paragraph 7 applies to dividends declared prior to the date of the application, the Board is of the opinion that the submission of further information is unnecessary. In the opinion of the Board this paragraph of the agreement does prohibit the paying of a dividend except in accordance with the terms thereof even though such dividend was declared prior to the date of the filing of the application. It is recognized that the agreement as worded goes beyond the scope of the statutory requirement that in its application each holding company affiliate shall 'agree that thenceforth it will declare dividends only out of net earnings'. The Board believes that the broader scope of the agreement embodied in its printed form of application is in the public interest and is necessary to give full effect to the intent of the statute and the suggested qualification is therefore unacceptable to it.

"At the end of each of the two applications the following note appears:

'The applicant understands that these agreements do not apply to its subsidiaries or affiliates and that they apply only during the life of the permit granted hereunder'.

"The intended scope of the first part of this proviso is not entirely clear to the Board. It is definitely not intended that F.R.B. Form P-1 when signed by the applicant shall constitute the agreement of subsidiaries or affiliates of the applicant except in so far as the agreements of such subsidiaries or affiliates on

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"Exhibits L and N are expressly incorporated as a part of the application. With respect to the latter part of the proviso it is appropriate to state that the form was prepared at a time when it was contemplated that the permits to be issued would be general permits unlimited as to scope or time. Because of the delay involved in completing necessary examinations of the financial condition of applicants, the Board has in almost all cases issued permits entitling the applicant to vote for limited purposes only. The form of application as prepared, however, does refer to temporary permits and evidences the intention of the Board that the agreements of the applicant, once made, are to be binding upon the applicant so long as the applicant continues to occupy the status of a holding company affiliate. It is not the intention of the Board that upon the use of a permit which by its nature ceases to exist after being used for the purpose for which it was given, the applicant is free to ignore the agreements which the statute requires of every applicant for a voting permit under Section 5144 of the Revised Statutes, as amended.

"It is believed that the foregoing discussion deals with all of the points raised by the typewritten additions to the Board's printed form except the note dealing with distributions in kind to stockholders of the applicant. As a general rule it is believed that the propriety of any such distribution would be governed by the prohibition contained in paragraph 7. If the applicants do not believe that this is so and have in mind a particular situation, it is possible that the pertinent details and manner of contemplated distribution can be submitted to the Board with sufficient definiteness to enable the Board to give a ruling which would clarify existing uncertainties.

"Please bring the foregoing to the attention of the applicants so that they may file new applications on F. R. B. Form P-1, incorporating by reference the additional information now on file with the Board, and such requests for rulings on any questions not answered by this letter as they may see fit to submit.

"Please also call to the attention of the applicants that the application of Atlas Corporation does not contain Exhibit L executed by Vanadium Alloys Corporation or International Vanadium Corporation and that the application of Pacific Eastern Corporation contains the agreement of Mississippi Valley Barge Line Company on Exhibit L without the required certificate of the secretary of that company and contains the consent of that company to an unsigned authorization of Pacific Eastern Corporation on Exhibit N."

Approved.

Telegram dated March 8, 1934, approved by six members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, stating that the Board has considered the

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application of "The Coudersport Trust Company", Coudersport, Pennsylvania, for a voting permit under authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Coudersport", Coudersport, Pennsylvania, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"Prior to the issuance of the limited voting permit hereby authorized: First. You shall be advised by counsel to the Federal Reserve Bank of Philadelphia that in his opinion applicant is authorized by the laws of the Commonwealth of Pennsylvania to engage in business as a trust company and to own shares of stock of The First National Bank of Coudersport. Second. Applicant shall agree as follows:

"(1) Within such time as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, and in any event prior to June 1, 1934, the undersigned will effect a rehabilitation of its own capital structure by means of voluntary contributions, issuance of common stock and/or preferred stock, or otherwise, in such amounts and in accordance with such plan or plans as shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

"(2) Within such time or times as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, and in any event prior to June 1, 1934, the undersigned will charge off or otherwise eliminate (a) estimated losses in loans and discounts, (b) depreciation in stocks and defaulted securities, (c) depreciation in securities not of the four highest grades as classified by an investment service organization regularly engaged in the business of rating or grading securities, and (d) all other losses, such charge-offs or eliminations to be based upon a current examination or credit investigation and to be of such nature and extent and in accordance with such plan or plans for the rehabilitation of the undersigned as shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

"(3) All assets of the undersigned which may be charged off or otherwise eliminated pursuant to the foregoing clause numbered (2) of this agreement shall remain the property of

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"the undersigned and shall not be distributed to its shareholders or otherwise released in any manner whatsoever."

and for the following purposes:

"To elect directors of such bank at any meeting of its shareholders, or at any adjournment thereof, at any time prior to May 1, 1934, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to The Coudersport Trust Company, a limited voting permit in accordance with the telegram when the conditions prescribed therein have been complied with.

Approved.

Telegram dated March 8, 1934, approved by six members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Seaboard National Securities Corporation", Los Angeles, California, for a voting permit under authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Hollywood National Bank of Los Angeles", Los Angeles, California, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit hereby authorized applicant shall represent and agree as follows:

"(1) On January 3, 1934, the undersigned entered into an agreement with the Seaboard Company and The Seaboard National Bank of Los Angeles, a true copy of which agreement was furnished to the Federal Reserve Board on or about February 13, 1934, by counsel for the undersigned.

"(2) The undersigned will faithfully carry out its obligations under the agreement referred to in paragraph (1) hereof.

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"(3) None of the proceeds realized by the undersigned from the liquidation of The Hollywood National Bank of Los Angeles, Los Angeles, California, shall be used by the undersigned except in accordance with the following provisions:

(a) The undersigned will use Thirty-five thousand two hundred and thirty-six dollars and ninety-nine cents (\$35,236.99) of the proceeds of such liquidation to make a cash payment to The Seaboard National Bank of Los Angeles as called for by item 1(a) of the agreement referred to in paragraph (1) hereof;

(b) after making the payment referred to in (a) hereof, the undersigned may use not more than Eighty-five thousand, one hundred and twenty-five (\$85,125) dollars of the proceeds of such liquidation to redeem at the par value of \$25 per share all or any part of Three thousand four hundred and five (3,405) shares of the undersigned's preferred stock previously sold under an agreement whereby Seaboard Company became obligated to repurchase said stock and/or may discharge indebtedness of the undersigned by reason of advances made to it by certain of its shareholders by the payment of such proceeds in an amount not to exceed Nineteen thousand, five hundred (\$19,500) Dollars on the principal thereof, plus accumulated interest thereon; (c) the undersigned shall hold in reserve all proceeds of such liquidation not actually used for the purposes enumerated under (a) and (b) above, for the purpose of making good the undersigned's guaranties given to The Seaboard National Bank of Los Angeles under items 1(c) and 1(d) of the agreement referred to in paragraph (1) hereof, and

"(4) Except as above provided in paragraph (3) hereof the undersigned will not distribute to its shareholders any of the proceeds of such liquidation until the undersigned has fully discharged all of its obligations under the agreement referred to in paragraph (1) hereof."

and for the following purpose:

"To place in liquidation The Hollywood National Bank of Los Angeles and to do all things necessary and incident thereto."

The telegram stated also that it supersedes the Board's telegram to the Federal Reserve Agent at San Francisco dated January 6, 1934, and authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Seaboard National Securities Corporation, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved.

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Letter to Messrs. Miller, Mack & Fairchild, attorneys,
Milwaukee, Wisconsin, reading as follows:

"This is in reply to your letter of February 21, 1934, with respect to First Wisconsin Company. In a letter dated January 10, 1934, you outlined alternative plans for terminating the affiliation of First Wisconsin Company with First Wisconsin National Bank of Milwaukee but it was understood that the first plan was considered to be impracticable and that you wished a ruling of the Board only with respect to the second of the two plans referred to. Your letter of February 21 states that you do desire a ruling with respect to the first plan and it is regretted that this misunderstanding of your previous letter prevented you from obtaining the requested ruling at an earlier date.

"It is understood that at the present time First Wisconsin Company is an affiliate of First Wisconsin National Bank of Milwaukee within paragraph 2 of subsection (b) of Section 2 of the Banking Act of 1933, because it is controlled through stock ownership by Wisconsin Bankshares Corporation which also owns a majority of the shares of stock of First Wisconsin National Bank of Milwaukee. It is proposed that Wisconsin Bankshares Corporation shall make a pro rata distribution to its stockholders of its holdings of the stock of First Wisconsin Company. As pointed out in the Board's letter of February 2, 1934 the existence or non-existence of an affiliation at a future date depends upon the facts as they then exist and because such facts cannot be definitely forecast the Board is unwilling to rule that the existing affiliation will necessarily be terminated. It is appropriate to state, however, that the Board recognizes that if the proposed plan is consummated the ownership of stock of First Wisconsin Company will pass from Wisconsin Bankshares Corporation to the shareholders of Wisconsin Bankshares Corporation and that Wisconsin Bankshares Corporation must be considered to be an entity separate and apart from its shareholders. Accordingly, the present affiliation would not continue solely because the shareholders of First Wisconsin Company also owned a majority of the outstanding shares of stock of Wisconsin Bankshares Corporation and Wisconsin Bankshares Corporation owned a majority of the outstanding shares of stock of First Wisconsin National Bank of Milwaukee.

"In making the foregoing statement the Board is assuming that the contemplated distribution could be properly effected. In this connection it should be noted that Wisconsin Bankshares Corporation cannot properly make any distribution of its stock of First Wisconsin Company either to its shareholders or to trustees for the benefit of its shareholders, except in accordance with paragraph 7 of the application for a voting permit which Wisconsin Bankshares Corporation has heretofore filed with the Board, which paragraph provides in part that dividends and distributions in cash or property may not be made except out of actual net earnings

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"and unless provision has first been made for any impairment in capital."

Approved.

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

"Relet February 26, 1934, from Sargent, Board authorizes extension of time within which Transamerica Corporation and Transamerica Bank Holding Company are to require their subsidiary member banks to charge off or eliminate certain items enumerated in conditions to limited voting permits from April 1, 1934 to May 1, 1934."

Approved.

Letter to the governors of all Federal reserve banks prepared in accordance with the discussion at the meeting with the Governors on March 5, 1934, and reading as follows:

"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."

Approved.

Letter to the governors of all Federal reserve banks prepared in accordance with the discussion at the meeting with the Governors on March 5, 1934, and reading as follows:

"At the meeting of the Federal Reserve Board with governors of Federal reserve banks on March 5, 1934, consideration was given

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"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."

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to Mr. Thomas F. Burchill, Chairman of the Joint Legislative Committee on Banks, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of February 26, 1934, requesting a copy of such parts of the report on branch, group and chain banking, prepared under the direction of Mr. Goldenweiser, as are relevant to the work of your Committee. The report to which you refer was prepared for a committee composed of representatives of the Federal Reserve Board and the Federal reserve banks of which Mr. Goldenweiser was chairman.

"The report is voluminous and publication has not been made by the Board. Therefore, there are no copies available for distribution. However, a copy of the report is on file at the Federal Reserve Bank of New York, and the Federal reserve agent at that bank has been requested to make the report available to you, or to members or employees of your committee designated by you, for the purpose stated in your letter, with the understanding that in no event will your committee quote from or cite the report or publish any of the tables or information contained therein but will use the report only as a basis for study to enable the committee to reach conclusions."

Approved.

Telegram to Governor Seay of the Federal Reserve Bank of Richmond, reading as follows:

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"Referring our telephone conversation re robbery of mail truck. Board authorizes you to offer suitable reward for apprehension of bandits, amount thereof to be determined by your directors."

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to the Secretary of the Treasury, reading as follows:

"Pursuant to an informal request from your Department, consideration has been given by the Federal Reserve Board to a draft of a proposed letter to Honorable Duncan U. Fletcher, Chairman of the Senate Committee on Banking and Currency, prepared for your signature, with regard to the bill S. 2849 'relating to bonds for the protection of banks whose deposits are insured under Section 12B of the Federal Reserve Act'. The draft of the proposed letter, which is attached hereto, advises that the Treasury has no objection to the passage of the bill subject to certain amendments suggested therein. You are advised that the Federal Reserve Board sees no objection to the proposed letter to the Chairman of the Senate Committee on Banking and Currency."

Approved, together with the following letter to be sent by Governor Black to Honorable Duncan U. Fletcher, Chairman of the Senate Banking and Currency Committee, upon receipt of advice that the letter proposed to be sent by the Secretary of the Treasury to Mr. Fletcher has been dispatched:

"This refers to the request contained in the letter dated February 22, 1934, from the Acting Clerk of your Committee, for a report on certain bills, including S. 2849 introduced by you on February 20 (calendar day, February 21), 1934, entitled 'A Bill relating to bonds for the protection of banks whose deposits are insured under Section 12B of the Federal Reserve Act'.

"The Federal Reserve Board understands that the Secretary of the Treasury has suggested certain amendments to this bill and the Board has no objection to its enactment if amended in accordance with his suggestions."

Letter dated March 8, 1934, approved by six members of the Board, to Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

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"This refers to the letter from the Acting Clerk of your Committee dated February 21, 1934, requesting a report of the Federal Reserve Board on S. 2818, entitled 'A Bill to amend Section 11(k) of the Federal Reserve Act, as amended, relating to trust powers of national banks'. Under existing law funds deposited or held in trust by a national bank awaiting investment may not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board. This requirement would be qualified by S. 2818 so as to eliminate the necessity for such securities with respect to deposits of trust funds to the extent that such deposits are insured under Section 12B of the Federal Reserve Act.

"It is a general rule of law that funds held in trust should be segregated from other funds of the trustee and this rule is expressly incorporated in Section 11(k) of the Federal Reserve Act with regard to trust funds held by national banks. However, as a matter of convenience to the banks, the law permits the use of trust funds awaiting investment by a national bank in the conduct of its business upon condition that securities be set aside covering such funds. The requirement of securities in such cases is believed to be sound; and, in view of the nature of trust funds, the Federal Reserve Board feels that they should be afforded every reasonable protection possible and, accordingly, that it would not be wise to eliminate any safeguards to which they are subject.

"It is the evident intention of Section 11(k) of the Federal Reserve Act that trust funds held by a national bank awaiting investment shall not be held uninvested by the bank longer than is reasonably necessary. If, however, the requirement as to security for trust funds used by the bank in its business should be modified as proposed in the bill, national banks would be encouraged to keep trust funds uninvested and to use them in the conduct of their business, perhaps for indefinite periods.

"For the reasons stated, the Federal Reserve Board feels that the enactment of the bill S. 2818 would not prove beneficial."

Approved.

Letter dated March 8, 1934, approved by six members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Camillus S. L'Engle, for permission to serve at the same time as a director and officer of The Barnett National Bank of Jacksonville, Jacksonville, Florida, and as a director and officer of The St. Augustine National Bank, St. Augustine, Florida.

Approved.

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There was then presented the following application for original stock of a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Cherry Creek National Bank, Cherry Creek, New York	36	36

Approved.

Thereupon the meeting adjourned.

Wesley Howell
Secretary.

Approved:

E. D. Mad
Governor.