

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, March 15, 1934, at 3:45 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegram to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, replying to a telegram dated March 15, 1934, from Mr. O. S. Powell, Statistician of the Federal Reserve Bank of Minneapolis, stating that the board of directors of the bank, at its meeting today, voted to establish a discount rate of 3% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended, effective the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approved the rate of 3%, effective March 16, 1934.

Approved.

Telegram dated March 15, 1934, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising that, at a meeting of the board of directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter to Governor Young of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the action taken by the board of directors of the Federal Reserve Bank of Boston at its meeting on March 7, 1934,

3/15/34

"communicated in your letter of March 8, the Board approves a salary at the rate of \$2,500 per annum for Mr. A. C. Kennel, Jr., as a general assistant to Mr. Carrick, General Counsel of your bank. Please forward to the Board for approval form A page of your personnel classification plan covering the position to be occupied by Mr. Kennel.

"It is noted from your letter that pending the appointment of a secretary of the board of directors of your bank, Mr. Carrick will continue in that capacity, but will be relieved of the detail of secretarial duties as soon as feasible."

Approved.

Letter dated March 13, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"This is to advise you that the Board will interpose no objection to the absorption by The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania, of the Main Line Trust Company, Ardmore, Pennsylvania, through merger, provided, of course, that Counsel for the Federal Reserve Bank is satisfied as to the legal aspects of the transaction and that the appropriate State authorities approve the merger. In the merger all losses in the assets of the Main Line Trust Company should, of course, be eliminated and all securities should be taken over at not more than market value.

"The Comptroller of the Currency approves the application of The Pennsylvania Company for Insurances on Lives and Granting Annuities to establish a branch at Ardmore, Pennsylvania, and a branch in Upper Darby Township, Delaware County, Pennsylvania, subject to the following conditions:

"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.

"Please advise the bank accordingly."

Approved.

3/15/34

-3-

Letter dated March 14, 1934, approved by four 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 Foxboro National Bank of Foxborough', Foxborough, Massachusetts, from \$250,000 to \$100,000, pursuant to a plan which provides that the bank's present common capital of \$100,000 shall first be increased by \$150,000 and that the released capital shall be used to eliminate losses and securities depreciation, all as set forth in your memorandum of March 7, 1934."

Approved.

Letter dated March 14, 1934, approved by five 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 Delaware National Bank of Delhi', Delhi, New York, from \$100,000 to \$40,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 of Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$40,000 of Class 'B' preferred stock to be sold locally, and that the released capital shall be used to eliminate a corresponding amount of bond depreciation, all as set forth in your memorandum of February 27, 1934."

Approved.

Letter dated March 14, 1934, approved by five 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 State National Bank of Petersburg', Petersburg, Illinois, from \$200,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate unsatisfactory assets and establish a surplus account of \$20,000, all as set forth in your memoranda of January 11, 1934, and February 28, 1934."

Approved.

Letter dated March 14, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

3/15/34

-4-

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Lincoln', Lincoln, Nebraska, from \$850,000 to \$680,000, pursuant to a plan which provides that the bank's capital shall be increased by \$320,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in your memorandum of February 27, 1934."

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 Pauls Valley National Bank', Pauls Valley, Oklahoma, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$20,000 Class 'B' preferred stock to be sold locally, and that the released capital shall be used to eliminate estimated losses and other substandard assets, all as set forth in your memorandum of February 27, 1934.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that your examiner states that the large line of credit to, and for the accommodation of, President Grimmett, represents an alarming concentration of the bank's funds in loans of an extremely unsatisfactory character, and is the principal contributing cause of its involved and extended condition, and that Vice President Hamilton is hopelessly incompetent and his removal from active work in the bank would be beneficial.

"It is noted further that, on the basis of the report of examination of September 19, 1933, securities depreciation unprovided for in the amount of approximately \$14,000, materially impairs the bank's common capital, and that there will also remain in the bank a large aggregate of other assets classed as slow and doubtful. It is assumed, however, that you have these matters in mind and that whenever it is feasible to do so you will effect such further adjustments as may be practicable."

Approved.

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

3/15/34

-5-

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Canadian', Canadian, Texas, from \$100,000 to \$75,000, 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 a corresponding amount of undesirable assets, all as set forth in your letter of March 6, 1934."

Approved.

Letter dated March 14, 1934, approved by five 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 Clovis', Clovis, California, from \$50,000 to \$30,000, pursuant to a plan which provides that the bank's capital shall be increased by \$20,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the full amount of the released capital shall be used to increase the surplus account and to establish a reserve for losses, all as set forth in your letter of March 6, 1934."

Approved.

Letter dated March 14, 1934, approved by six 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 March 5, 1934, advising that your Executive Committee had adopted a resolution directing the officers of the bank to apply to the Federal Reserve Board for permission to assess the cost of examinations of State member banks against the examined banks, and that the Executive Committee feels that the examinations for which the member banks are charged should include examinations made in connection with the certification of the banks for permanent deposit insurance.

"The Board will interpose no objection to the assessment of the cost of complete examinations of State member banks against the banks examined, whether the examinations are made in connection with the certification to the Federal Deposit Insurance Corporation or otherwise."

Approved.

Telegram to Mr. Walsh, Federal Reserve Agent at the Federal

3/15/34

-6-

Reserve Bank of Dallas, reading as follows:

"Regret that pressure of other matters has prevented earlier reply to your letters January 5 and February 2, 1934 with regard to whether capital notes or debentures issued by member banks may be considered capital within meaning of provisions of Section 11(m) of Federal Reserve Act relating to limitation on loans by member banks on stock or bond collateral and provisions of Section 31 of Banking Act of 1933 relating to shares of stock of member bank which must be owned by directors on or before June 16, 1934. However, a bill (S.3025) which passed Senate March 12, 1934, is pending in Congress and contains proposed amendment to Section 9 of the Federal Reserve Act to effect that for purposes of membership of State banks or trust companies terms 'capital' and 'capital stock' shall include amount of outstanding capital notes and debentures legally issued by bank and purchased by Reconstruction Finance Corporation, and it would not seem appropriate for Board to attempt to rule definitely to what extent capital notes and debentures may be construed as complying with requirements of Section 11(m) or Section 31 referred to above until it is determined whether such proposed amendment will be enacted into law. It may also be noted, as you are probably aware, that there is pending in Congress a bill (S.2601) which passed Senate February 6, 1934, and which would amend Section 31 so as to repeal provisions contained therein relating to stock ownership by directors of member banks."

Approved.

Letter dated March 13, 1934, approved by six members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to Mr. Sargent's letter of September 25, 1933, regarding the question asked by the Tracy Loan & Trust Company of Salt Lake City, Utah, as to the applicability of Sections 16 and 21 of the Banking Act of 1933 to the company's practice of selling 'mortgage securities' to its clients. Mr. Sargent inclosed a letter from Mr. James W. Collins, President of the Company, and a specimen set of papers such as are used in the transactions in question. Receipt is also acknowledged of Mr. Sargent's letter of December 23, 1933, inclosing a copy of the opinion of counsel for your bank with respect to the questions here presented.

"It appears from Mr. Collins' letter that the company makes loans to individuals secured by real estate mortgages, and that it subsequently offers these mortgages for sale to its customers. The terms of sale provide that the company will perform certain services, including collecting and forwarding the interest payments and ascertaining whether taxes have been paid, and that the company

3/15/34

-7-

"will retain a portion of the interest paid by the mortgagor to reimburse itself for those services and also to reimburse itself for its expenses in connection with making the original loan, including examination of the title, examination of tax records and appraisal of the property.

"It appears that the company does not guarantee the payment of the mortgage, although it does guarantee that the mortgage is a first lien on the property. It appears also that each mortgage is sold separately to the customers of the company and that the company does not place the mortgage in a trust and issue certificates against a group of mortgages thus held.

"Under these circumstances, it would seem that Section 5136, Revised Statutes, as amended by Section 16 of the Banking Act of 1933, would not be applicable to the business of the company described above. This section imposes certain limitations upon the dealings of national banks in securities, and is made applicable to all member banks of the Federal Reserve System by Section 9 of the Federal Reserve Act as amended by Section 5 (c) of the Banking Act of 1933. Section 5136, Revised Statutes, however, has reference to dealings in 'investment securities', and this phrase is further defined as meaning 'marketable obligations evidencing indebtedness of any person, copartnership, association or corporation in the form of bonds, notes, and/or debentures commonly known as investment securities ***'. In the circumstances, it would appear that this section would not be applicable to the sale of the mortgages in question.

"With respect to Section 21 of the Banking Act of 1933, it should be observed that this section provides a penalty of fine or imprisonment for violation of its provisions, and the determination of the question whether persons should be prosecuted for violations of that section is a matter entirely within the jurisdiction of the Department of Justice. In the circumstances, an expression of opinion by the Federal Reserve Board on the question whether that section was applicable to the Tracy Loan and Trust Company would not afford protection from prosecution if the Department of Justice, upon consideration of the matter, should take the position that the company was within the statute and should feel it necessary to prosecute for violation of this provision.

"Accordingly, the Federal Reserve Board does not feel that it would be appropriate for it to undertake to express an opinion upon the question raised."

Approved.

Letter dated March 14, 1934, approved by six members of the Board, to Mr. A. J. Walter, President of the Colonial Trust Company, New York, New York, reading as follows:

3/15/34

-8-

"Receipt is acknowledged of your letter of March 6 calling attention to the widespread publicity given in the press concerning a 'bonus' of \$40,343 stated to have been paid by your bank during the year ending June 30, 1933, to Mr. Frederick T. Kelsey, one of your directors.

"The above figure was, as you state, apparently taken from the report which was submitted by your bank to the Federal Reserve Board in order to enable the Board to comply with Senate Resolution 75 of May 29, 1933. Your report was transmitted to the Senate in the form in which it was received by the Board.

"In keeping with your request that the information contained in your letter be transmitted to the Committee on Banking of the United States Senate, we have today written Senator Fletcher, Chairman of the Committee on Banking and Currency, inclosing a copy of your letter and requesting that it be attached to the original copy of the report of compensation of executive officers and directors submitted by your bank, which was transmitted by the Board to the Senate and, we understand, referred to the Banking and Currency Committee."

Approved.

Letter dated March 13, 1934, approved by six members of the Board, to Honorable A. H. Vandenberg, United States Senator, reading as follows:

"The questions raised in Mr. Sherwood's letter of January 12, 1934, inclosed with your letter of January 16, 1934, have been carefully considered.

"The Board feels that losses as classified by the supervisory authorities and any other losses should be eliminated from a bank's assets, and that a published statement does not truly reflect a bank's condition when losses are left in the assets offset by reserves which are included with the bank's capital accounts and liabilities. The Board feels, however, that the charge-off or elimination of assets classified as loss may properly be effected through the establishment and maintenance of valuation reserves, provided that in all reports and published statements of condition such reserves be deducted from the respective assets against which allocated, thereby reporting such assets in the same amounts as if the charge-offs actually had been made, and that the losses to provide for which the reserves were established are charged against the respective reserves as soon as such losses are determined. The Federal Reserve Bank of Chicago has been advised of the Board's position in this matter.

"The propriety of such valuation reserves has been informally discussed with representatives of the Income Tax Division of the Bureau of Internal Revenue, and I am advised that the establishment

3/15/34

-9-

"and maintenance of valuation reserves as described above does not prejudice the position of the Government or of the bank in determining the amount of taxes to be paid.

"As requested Mr. Sherwood's letter to you is returned."

Approved.

Letter dated March 13, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Young's letter of January 24, 1934, regarding the questions of charge-offs and reserves raised in connection with the Grand Haven State Bank, Grand Haven, Michigan.

"The Board has carefully considered Mr. Young's letter and agrees that classified losses should be eliminated from a bank's assets and that reserves for losses as shown in published statements should be reserves established to provide for potential losses and not to offset losses which have been classified as such. In this connection, however, the Board considers that the charge-off or elimination of assets classified as losses may properly be effected through the establishment and maintenance of valuation reserves, provided that in all reports and published statements of condition such reserves be deducted from the respective assets against which allocated, thereby reporting such assets in the same amounts as if the charge-offs actually had been made, and that the losses to provide for which the reserves were established are charged against the respective reserves as soon as such losses are determined.

"In the circumstances referred to in Mr. Young's letter of January 24, 1934, therefore, the Board considers that a valuation reserve as described above could properly provide for depreciation on the defaulted issues, but could not be considered as a proper provision for the realized bond trading losses which should be charged off."

Approved.

Letter dated March 13, 1934, approved by six members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to Mr. Sargent's letter dated February (?) 17, 1934, regarding the manner of complying with the conditions of membership requiring that a bank charge off or otherwise eliminate certain assets, and inclosing copy of a letter dated January 15, 1934, from McLaren, Goode & Co., certified public accountants,

777

3/15/34

-10-

"in this connection.

"The Board considers that the charge off or elimination of assets required under the conditions of membership may properly be effected through the establishment and maintenance of valuation reserves, provided that in all reports and published statements of condition such reserves be deducted from the respective assets against which allocated, thereby reporting such assets in the same amounts as if the charge offs actually had been made, and that the losses to provide for which the reserves were established are charged against the respective reserves as soon as such losses are determined."

Approved.

Letter dated March 14, 1934, approved by six members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of February 15, 1934, regarding your Inquiry No. 35 of September 29, 1933, with respect to the question whether the payment of a tax by national banks in accordance with the provisions of certain statutes of the State of Connecticut constitutes the payment of interest within the meaning of Section 19 of the Federal Reserve Act as amended. You inclose a copy of a letter which you propose to address to all national banks in the State of Connecticut which are in your district advising them of the ruling made by the Federal Reserve Board with respect to this question in its letter to you under date of February 8, 1934; and it is understood that you desire the Board's approval of such proposed letter.

"You are advised that the letter in the form proposed appears to the Board to be satisfactory and no objection will be offered to its use in the manner suggested by you."

Approved.

Letter dated March 14, 1934, approved by five members of the Board, to Mr. E. F. Smith, Vice President of The Chase National Bank of the City of New York, New York, reading as follows:

"By telegram dated July 10, 1933, and letter dated July 18, 1933, you requested a ruling of the Federal Reserve Board with respect to the question whether the Panama Canal Zone is a 'foreign country' within the meaning of Section 19 of the Federal Reserve Act as amended by Section 11(b) of the Banking Act of 1933. This

3/15/34

-11-

"section forbids a member bank to pay interest on any deposit payable on demand, with certain exceptions which include 'any deposit of such bank which is payable only at an office thereof located in a foreign country'. After careful consideration, the Board advised you by letter dated August 8, 1933, that it was of the opinion that the Canal Zone could not properly be regarded as a 'foreign country' within the meaning of the statute referred to. As requested in your letter of August 11, 1933, the Board again considered the question and after reexamining all pertinent authorities advised you definitely on October 16, 1933, that it was unable to reach any conclusion other than that stated in its letter to you of August 8th. Subsequently, the Board received from your counsel, Messrs. Rushmore, Bisbee and Stern a comprehensive brief reviewing the entire subject and reaching the conclusion that the Board's ruling was erroneous. Your letter of December 13, 1933 requested the Board to give still further consideration to the matter, particularly in view of the arguments contained in your counsel's brief, and in a letter dated December 21, 1933, the Board assured you that it would give such further consideration when time permitted. The Board has now again reviewed the matter and is still of the opinion that its ruling was correct and that the Canal Zone is not a 'foreign country' within the meaning of Section 19 of the Federal Reserve Act, as amended.

"In the opening sentence of Section I of your counsel's brief, reference is made to Mr. Chief Justice Marshall's and Mr. Justice Story's definition of a 'foreign country' as one 'exclusively within the sovereignty of a foreign nation, and without the sovereignty of the United States'. This section of the brief goes on to analyze the Treaty of 1903 between the Republic of Panama and the United States and to contend that such treaty does not specifically transfer the sovereignty of the Canal Zone to the United States although it does grant to the United States in perpetuity the use, occupation and control of the Canal Zone for the construction, maintenance, operation, sanitation and protection of the Canal and although it provides in Article III that:

'The Republic of Panama grants to the United States the rights, power and authority within the Zone mentioned and described in Article II of this agreement and within the limits of all auxiliary lands and waters mentioned and described in said Article II which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority.'

"In 1907 the United States Attorney General was asked whether a citizen of Panama who had been a resident of the Canal Zone at the time of the Treaty of 1903 between the United States and Panama and who had not taken any affirmative action to retain citizenship in the Republic of Panama owed such allegiance to the

3/15/34

-12-

"United States as to be entitled to receive a United States passport. Attorney General Bonaparte in an opinion dated September 7, 1907, holding that he was so entitled (26 Op. Atty. Gen. 376), discussed the question and referred particularly to the omission of words in the treaty expressly passing sovereignty, saying:

'The omission to use words expressly passing sovereignty was dictated by reasons of public policy, I assume; but whatever the reason the treaty gives the substance of sovereignty, and instead of containing a mere declaration transferring the sovereignty, descends to the particulars "all the rights, power, and authority" that belong to sovereignty, and negatives any such "sovereign rights, power, or authority" in the former sovereign'.

The Attorney General was apparently unable to conceive of the existence of sovereignty in one country and the existence of all of the incidents of sovereignty in another country and he states that in his opinion the sovereignty over the Canal Zone is not an open or doubtful question.

"In the case of Wilson v. Shaw 204 U.S. 24 (1907) the Supreme Court was called upon to ascertain whether the United States was authorized to construct the canal. To the plaintiff's contention that the Canal Zone was no part of the territory of the United States the Court, after referring to the pertinent provision of the treaty, said:

'It is hypercritical to contend that the title of the United States is imperfect, and that the territory described does not belong to this nation, because of the omission of some of the technical terms used in ordinary conveyances of real estate.'

"Your counsel assert that the exact basis of the decision is not clear and it is admitted that the court indicates other grounds upon which it would have reached its decision. Nevertheless the court isolates the particular contention of the plaintiff referred to above and in answering it holds that the Canal Zone is part of the territory of the United States and indicates that it does not admit the possibility that the Canal Zone is a 'foreign country'.

"In view of the language of the Treaty and the foregoing authorities the Board is of the opinion that sovereignty of the Canal Zone is either vested entirely in the United States or that there remains in the Republic of Panama at most a kind of titular or residuary sovereignty. In either contingency it is difficult to understand how under the definition of 'foreign country' relied upon by your counsel the Canal Zone can be said to be exclusively within the sovereignty of Panama and exclusively without the sovereignty of the United States. Sovereignty as the Board understands the term is the supreme power to govern and if in the Canal Zone the United States possesses such power and the Republic of Panama does not possess such power it appears unwarranted to predicate upon the titular sovereignty which may exist in the

3/15/34

"Republic of Panama the status of the Canal Zone as a 'foreign country'.

"The Board has analyzed all of the authorities cited in the carefully prepared brief of your counsel but finds in them no reason to alter its conclusion upon the question which is under consideration, and in reaching its conclusion the Board has borne in mind the purpose of the statute.

"Because the administration of the statutory provisions here involved is properly within its own jurisdiction and because of the careful consideration which the Board has already given to the question which you have raised, the Board does not believe that it should refer the matter to the Attorney General of the United States for a ruling in accordance with the suggestion made in your letter."

Approved.

Letter dated March 14, 1934, approved by five members of the Board, to Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of February 23, 1934, regarding the question raised by one of your member banks as to whether there is anything in the present law or the Federal Reserve Board's Regulation Q which would prevent the acceptance of savings deposits without interest where the deposit does not consist of funds accumulated for bona fide thrift purposes. You are advised that neither the Federal Reserve Act nor the Board's Regulation Q prohibits the acceptance of deposits by member banks of the System merely because such deposits do not represent funds accumulated for bona fide thrift purposes, and the importance of determining whether funds are accumulated for bona fide thrift purposes arises in connection with the question whether such funds constitute savings deposits upon which interest may lawfully be paid.

"It also appears that it is understood by the member bank that deposits of the kind referred to would be subject to the same conditions in regard to withdrawal and notice thereof as other deposits constituting 'savings deposits' within the meaning of the Board's Regulation Q. However, unless a deposit consists of funds accumulated for bona fide thrift purposes it does not come within the definition of a 'savings deposit' contained in Section V(a) of Regulation Q, irrespective of whether interest is paid thereon; and accordingly, the provisions of Section VI of the regulation with respect to the withdrawal of savings deposits would not be applicable to any such deposit.

"The Board does not have sufficient information to enable it to determine whether the deposits in question should be regarded

3/15/34

-14-

"as time deposits within the meaning of Regulation Q, and subject to the requirements of law and of the regulation with respect to payment before maturity."

Approved.

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

"Receipt is acknowledged of your letter of March 7, 1934, respecting the question whether a permit is necessary under the provisions of the Clayton Act covering the service of directors of the First National Bank, Valdosta, Georgia, as members of an advisory board of the Valdosta Branch of the Citizens & Southern National Bank.

"You point out that the application of Mr. W. C. Bradley, which was submitted on July 19, 1927, raised a similar question since Mr. Bradley's application covered his service of two national banks but did not cover his service as a member of the advisory board of the Atlanta Branch of the Citizens & Southern National Bank.

"As you point out in your letter, the Board granted Mr. Bradley's application after receiving information regarding the functions of the advisory board of which Mr. Bradley was a member. It appeared that the members of that board were not elected by the stockholders and served without compensation, except for a nominal attendance fee. They did not participate in the details of the management of the bank but served merely in an advisory capacity, being shown at their monthly meetings a statement of the condition of the branch, the aggregate number of new accounts and closed accounts in the commercial and savings departments, and a list of the large loans made since the last meeting.

"Under the circumstances, the Federal Reserve Board concluded that no permit was necessary on the ground that Mr. Bradley was not a 'director, officer, or employee' of the Citizens & Southern National Bank. It is understood from your letter that the Advisory Board of the Valdosta Branch is similar to the advisory board of which Mr. Bradley was a member, and it therefore appears that you are correct in concluding that the Clayton Act is not applicable to the service of a director of the First National Bank, Valdosta, Georgia, as a member of such an advisory board."

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Charles E. Rieman, for permission to serve at the same time as a director of the Federal Reserve Bank of Richmond, Richmond,

3/15/34

Virginia, as a director and officer of The Western National Bank of Baltimore, Baltimore, Maryland, and as a director of The Safe Deposit and Trust Company of Baltimore, Baltimore, Maryland.

Approved.

There were then presented the following applications for original or additional stock, or for the surrender of stock, of Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
The Citizens National Bank in Hammond, Hammond, Louisiana	36	36
 <u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 3.</u>		
The Marine National Bank of Wildwood, Wildwood, New Jersey	60	
The Elverson National Bank, Elverson, Pennsylvania	15	
The Mount Jewett National Bank, Mount Jewett, Pennsylvania	<u>17</u>	92
 <u>District No. 5.</u>		
The First National Bank of St. Mary's at Leonardtwn, Leonardtown, Maryland	6	
The First National Bank of Westminster, Westminster, Maryland	15	
The First National Bank of Big Stone Gap, Big Stone Gap, Virginia	<u>27</u>	48
 <u>District No. 10.</u>		
The First National Bank of Englewood, Englewood, Colorado	9	9
 <u>District No. 11.</u>		
First National Bank in Conroe, Conroe, Texas	9	
Citizens National Bank in Ennis, Ennis, Texas	2	
The First National Bank of Galveston, Galveston, Texas	60	
The First National Bank of Goliad, Goliad, Texas	30	
The Laredo National Bank, Laredo, Texas	60	

3/15/34

-16-

<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 11. (Continued)</u>			
The American National Bank of Terrell, Terrell, Texas	60		
The Menard National Bank, Menard, Texas	3		
First State Bank, Leakey, Texas	1	225	
	<u>Total</u>	<u>374</u>	

<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 1.</u>			
The Caribou National Bank, Caribou, Maine	120		
The Pittsfield National Bank, Pittsfield, Maine	90		
The National City Bank of Chelsea, Chelsea, Massachusetts	<u>69</u>	279	

<u>District No. 2.</u>			
The Peoples National Bank & Trust Company of Lynbrook, Lynbrook, New York	42		42

<u>District No. 3.</u>			
First National Bank of Bangor, Bangor, Pennsylvania	225		
The First National Bank of Forest City, Forest City, Pennsylvania	210		
First National Bank in Gallitzin, Gallitzin, Pennsylvania	36		
First National Bank of Patton, Patton, Pennsylvania	240		
The Citizens National Bank of Shenandoah, Shenandoah, Pennsylvania	<u>240</u>	951	

<u>District No. 4.</u>			
Bridgeport National Bank, Bridgeport, Ohio	300		
The First National Bank of St. Marys, St. Marys, Ohio	57		
The First National Bank of Albion, Albion, Pennsylvania	48		
The Citizens National Bank of Hooversville, Hooversville, Pennsylvania	<u>45</u>	450	

<u>District No. 5.</u>			
The Clifton Forge National Bank, Clifton Forge, Virginia	75		75

<u>District No. 7.</u>			
The First National Bank of Lanark, Lanark, Illinois	60		

3/15/34

-17-

<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 7. (Continued)</u>		
The First National Bank of Bellevue, Bellevue, Iowa	60	120
<u>District No. 10.</u>		
The First National Bank of Lamar, Lamar, Missouri	36	36
<u>District No. 12.</u>		
The Skagit National Bank of Mount Vernon, Mount Vernon, Washington	72	72
	Total	2,025

Approved.

Thereupon the meeting adjourned.

Charles Merrill
Secretary.

Approved:

E. R. Black
Governor.