

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, April 4, 1934, at 3:45 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegrams dated April 4, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, both advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated April 2, 1934, from Mr. Morrill stating that, in accordance with the action taken at the meeting of the Board on March 28, 1934, when Messrs. James and O'Connor were appointed a committee to look into the matter of the three employees from the Issue and Redemption Division of the Board who were detailed to the National Bank Issue Division of the Comptroller's office, the committee recommends, and arrangements have been made to take care of the three employees, as follows:

Miss Janet Oliphant, to be returned to the Board's Division of Issue and Redemption,

Mrs. Mary White, to be transferred to the Board's Division of Research and Statistics,

4/4/34

-2-

Mrs. Irma Smoot, to be taken off the payroll of the Federal Reserve Board, and transferred to the Office of the Comptroller of the Currency,

all of the above changes to be effective as of April 3, 1934. The recommendations of the committee were approved by six members of the Board on April 3, 1934.

Approved.

Telegram dated April 2, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, referring to the application of the "Citizens Savings Bank", Gilman, Iowa, 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 Citizens Savings Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated April 3, 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 'American National Bank of Portsmouth', Portsmouth, Virginia, from \$500,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by \$250,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be credited to a reserve fund to charge off doubtful assets, all as set forth in your letter of March 23, 1934."

Approved.

4/4/34

-3-

Letter dated April 3, 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 Traer', Traer, Iowa, from \$100,000 to \$50,000 pursuant to a plan which provides for a reduction in surplus from \$32,000 to \$25,000 and that the released capital and surplus shall be used to eliminate slow and doubtful assets totaling approximately \$39,735, and that the residuary balance of the released funds shall be returned to the shareholders, all as set forth in your memorandum of March 23, 1934."

Approved.

Telegram dated April 2, 1934, approved by six members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has considered the application of the "First National of Elmira Corporation", Elmira, New York, for a voting permit under the 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 "Southside National Bank of Elmira", Elmira, New York, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to July 1, 1934, to act upon a proposal to place such bank in voluntary liquidation and to do all things necessary to effect such liquidation."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the First National of Elmira Corporation, a limited voting permit in accordance with the telegram.

Approved.

In connection with the above there was presented a second

4/4/34

-4-

telegram dated April 2, 1934, approved by six members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has considered the application of the "First National of Elmira Corporation", Elmira, New York, for a voting permit under the 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 Horseheads", Horseheads, New York, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to June 1, 1934, to act upon a proposal to increase the capital stock of such bank in the amount of approximately \$25,000 by the issuance of preferred and/or common stock or otherwise and to amend the articles of association of such bank accordingly, provided that such proposal shall be approved by the Comptroller of the Currency."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the First National of Elmira Corporation, a limited voting permit in accordance with the telegram.

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. Paddock, Deputy Governor of the Federal Reserve Bank of Boston, reading as follows:

"I regret that the pressure of other matters of urgent importance arising under the Banking Act of 1933 has prevented an earlier reply to your letter of October 25, 1933, containing your inquiry number 36 with reference to the question whether anticipated acceptance accounts are subject to the provision of Section 19 of the Federal Reserve Act which prohibits the payment of interest upon deposits which are payable on demand. In this connection, you inclose a letter received by you from the Industrial Trust Company of Providence, Rhode Island under date of October 18, 1933.

"There is inclosed herewith a copy of a ruling recently made

4/4/34

-5-

"by the Federal Reserve Board in which a question similar to that submitted by you is discussed. The information you have furnished, however, is not sufficient to enable the Board to determine under which of the categories referred to in the last paragraph of the said ruling the situation to which you refer would fall, and accordingly, the Board cannot advise you at this time whether anticipated acceptance accounts should be considered deposits within the meaning of the provision of Section 19 of the Federal Reserve Act here in question. It is suggested that you consider the matter with the advice of counsel and that you advise the member bank in accordance with your conclusions unless there is doubt as to the matter and you consider it advisable for the Board to pass on the question. In the latter event, it will be appreciated if you will submit such information as will be necessary to enable the Board to determine the question, together with an opinion of your counsel thereon.

"In considering the question, it is suggested that particular consideration be given to the ruling of the Board in regard to reserves against deposits received by member banks in connection with 'personal loans' (Federal Reserve Bulletin for September, 1931, page 538), and to the Board's ruling in regard to reserves against liabilities resulting from receipt and use of trust funds (Federal Reserve Bulletin for May, 1922, page 572)."

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Messrs. Shearman & Sterling, Attorneys and Counselors at Law, New York, New York, reading as follows:

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

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

4/4/34

-6-

"order to encourage such desire, the bank accepts payments at a discount rate based upon the number of days yet to run until the maturity, thus making an allowance for the unexpired period during which the customer, in the absence of a demand from the bank, might have retained his funds.

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

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

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

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

"With reference to the suggestion made by the member bank in its letter that a ruling be issued allowing the making of loans in necessitous cases on Christmas Club accounts, attention is

4/4/34

-7-

"called to the provisions of footnote 7 and footnote 10 of the Regulation Q, relating to loans by member banks to the owners of time and savings deposits. The Board believes that the provisions of the footnotes mentioned are in accordance with the intention of the statute and it would not be possible for the Board to make exceptions to the requirements prescribed as suggested with respect to Christmas Club accounts."

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Honorable Tom Connally, United States Senator, reading as follows:

"In a letter dated February 21, 1934, you requested the Board's reaction to an inquiry contained in a letter to you from Mr. W. W. Woodson, President of The First National Bank of Waco, Waco, Texas, dated February 2, 1934, with respect to the enactment of legislation requiring Federal reserve banks to accept from member banks and to hold in safekeeping securities pledged by member banks to secure the deposits of State Treasurers of the various States. The inquiry refers specifically to the refusal of the Federal Reserve Bank of Dallas to accept securities pledged to secure deposits of the State Treasurer of the State of Texas and in a letter dated February 28, 1934, written in reply to your letter, the Board stated that the matter would be taken up with the Federal Reserve Bank of Dallas for the purpose of obtaining a complete statement of the bank's views on the question. The Board has now been informed by letter from Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, that the bank has declined to act in the manner referred to by Mr. Woodson because of doubts as to the power of the bank legally to hold securities in safekeeping in such circumstances.

"There is now in preparation by the staff of the Federal Reserve Board a report on the exercise of safekeeping functions by the Federal reserve banks which has reference to the general situation which prompted Mr. Woodson's inquiry, and should a study of this report when presented convince the Board that the law with respect to the power of Federal reserve banks to accept and retain in safekeeping securities pledged by member banks to secure public deposits should be amended, the Board will, after consultation with the Federal reserve banks, take steps to submit for consideration by Congress a draft of an amendment to the law on this subject."

Approved.

Letter dated April 3, 1934, approved by six members of the

4/4/34

-8-

Board, to Mr. N. C. Patton, Editor, Federal Reserve and Bank Law Service, Commerce Clearing House, Inc., Chicago, Illinois, reading as follows:

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

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

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

Approved.

Telegram dated April 3, 1934, approved by six members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Your letter March 28 relating to right of Union Planters National Bank and Trust Company of Memphis, Tennessee, to pay interest on deposits of funds of City of Memphis, which are payable on demand. It appears that Chapter 338 of Tennessee Private Acts for 1917 confers upon Board of Commissioners of City of Memphis merely permissive authority to provide in contracts for payment of interest on deposits of City of Memphis and Board therefore is of opinion that this statute does not require payment of interest with respect to such funds within meaning of Section 19 of Federal Reserve Act as amended."

Approved.

4/4/34

-9-

Letter dated April 3, 1934, approved by six members of the Board, to Mr. C. W. Barnett, Arkansas Dry Goods Company, Batesville, Arkansas, reading as follows:

"This refers to your letter of March 10, 1934, addressed to the Comptroller of the Currency, in which you request to be advised whether, under the Banking Act of 1933, the Arkansas Dry Goods Company, Batesville, Arkansas, may borrow its funds, up to the legal limit, from the Citizens Bank and Trust Company of the same place.

"It is assumed that the Arkansas Dry Goods Company is not an affiliate or a holding company affiliate of the Citizens Bank and Trust Company, and if that assumption is correct, it does not appear that any of the provisions of the Banking Act of 1933 would prohibit the Company from borrowing funds for seasonal requirements from the Citizens Bank and Trust Company within the limits permitted by law. For your information, there is inclosed herewith a copy of the Banking Act of 1933 and your attention is directed particularly to Section 12 (relating to loans and extensions of credit to executive officers of member banks), to Section 13 (relating to transactions between a member bank and its affiliates), and to Section 14 (relating to transactions between a member bank and any corporation holding the premises of the bank)."

Approved.

Letter dated April 2, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"In Mr. McAdams' letter of January 25 it was stated with respect to the reports of affiliates of the International Trust Company, Denver, Colorado, as of December 30, 1933, that the member bank contemplated publishing these reports at the time of publication of the next reports submitted to the Colorado Banking Department, the circumstances being that the Colorado Banking Department had made a call as of November 25, 1933, but no call coincident with the Board's call of December 30, 1933. It was also stated that other State members in Colorado had published reports of their affiliates as submitted in response to the Board's call of December 30.

"Our understanding from Mr. McAdams' letter of January 25, and from previous reports, is that the Colorado Banking Department issued a call coincident with the Board's call of June 30, 1933, that it issued no call coincident with the Board's call of October 25, 1933, and no call coincident with the Board's call

4/4/34

-10-

"of December 30, 1933, the only call by State authorities since June 30, 1933, being a call as of November 25, 1933, which of course was not coincident with any call by the Board.

"Under these circumstances the reports of affiliates submitted to the Board as of June 30, 1933, and October 25, 1933, by State member banks in Colorado should have been published, and our records show that they were; but the reports submitted as of December 30, 1933, need not have been published, unless State authorities made a call between December 30, 1933, and March 5, 1934, the date of the current call by the Board.

"In the last paragraph of Mr. McAdams' letter of January 25 the question is asked whether reports of affiliates which were published subsequent to the Board's call of December 30 should be republished later at the time reports of condition were submitted by the banks concerned to the Colorado Banking Department. In the absence of information to the contrary it is assumed that there was no call by State authorities between December 30 and March 5, but if there were such a call republication of reports already published under the circumstances described in Mr. McAdams' letter would not ordinarily be required. If there were no call by State authorities between December 30 and March 5 the question of publication of the December 30, 1933, affiliates' reports is of course settled by the Board's current call as of March 5."

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. Hermann Frederick Clarke, Boston, Massachusetts, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as director of the State Street Trust Company and as a partner in the firm of Estabrook & Company, a dealer in securities, both of Boston, Massachusetts.

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

4/4/34

-11-

"only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

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

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

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. N. Penrose Hallowell, Boston, Massachusetts, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as director of The Merchants National Bank of Boston, and as officer of Lee, Higginson Corporation, a dealer in securities, both of Boston, Massachusetts.

"The Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

4/4/34

-12-

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

"The Board understands that Lee, Higginson & Company is inactive and that it does not contemplate any new business, and will confine its activities to the liquidation of its assets.

"As is indicated by the footnote 1 of the Federal Reserve Board's Regulation R, Section 32 has reference only to the business presently transacted by the organization in question and not to the business which may have been transacted by it in the past. Although it is not entirely clear from your application and accompanying papers what transactions may be involved in the liquidation of the assets held by Lee, Higginson & Company, it would appear that, if such liquidation involves merely the sale of those assets and does not involve the engaging in any new business in connection with such liquidation, Section 32 would not be applicable to your service as a partner therein.

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

"Your attention is called to the fact that Section 8A of the Clayton Act makes it unlawful for any director, officer, or employee of any bank, banking association, or trust company organized or operating under the laws of the United States to serve at the same time as a director, officer, employee, or partner of any organization (other than a mutual savings bank) making loans secured by stock or bond collateral other than to its own subsidiaries. The Board is authorized to issue permits under certain circumstances covering relationships of the kinds described in that section. However, the provision of Section 8 which authorizes the Board to issue permits refers only to banking institutions of certain classes, and the Board is, therefore, without authority to issue permits involving relationships between national banks and organizations which are not banking institutions of the classes referred to. Therefore, if Lee, Higginson Corporation makes loans secured by stock or bond collateral, whether in connection with the carrying of margin accounts or otherwise, and if it is not a banking institution of one of the kinds referred to in Section 8, the Board would be without authority to issue a permit

4/4/34

-13-

"under the provisions of the Clayton Act. In such a case, it would serve no useful purpose for it to issue a permit under the provisions of Section 32 of the Banking Act of 1933, since such a permit would not have the effect of making the prohibitions of Section 8A of the Clayton Act inapplicable to the service in question."

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. John J. McKeon, New Haven, Connecticut, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as director of the First National Bank and Trust Company of New Haven, and as partner in the firm of Chas. W. Scranton & Company, a dealer in securities, both of New Haven, Connecticut.

"The Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

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

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional

4/4/34

-14-

"facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent.

"Your attention is called to the fact that Section 8A of the Clayton Act makes it unlawful for any director, officer, or employee of any bank, banking association, or trust company organized or operating under the laws of the United States to serve at the same time as a director, officer, employee, or partner of any organization (other than a mutual savings bank) making loans secured by stock or bond collateral other than to its own subsidiaries. The Board is authorized to issue permits under certain circumstances covering relationships of the kinds described in that section. However, the provision of Section 8 which authorizes the Board to issue permits refers only to banking institutions of certain classes, and the Board, is, therefore, without authority to issue permits involving relationships between national banks and organizations which are not banking institutions of the classes referred to. Therefore, if Chas. W. Scranton & Company makes loans secured by stock or bond collateral, whether in connection with the carrying of margin accounts or otherwise, and if it is not a banking institution of one of the kinds referred to in Section 8, the Board would be without authority to issue a permit under the provisions of the Clayton Act. In such a case, it would serve no useful purpose for it to issue a permit under the provisions of Section 32 of the Banking Act of 1933, since such a permit would not have the effect of making the prohibitions of Section 8A of the Clayton Act inapplicable to the service in question."

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. Lewis H. Parsons, Philadelphia, Pennsylvania, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of Tradesmens National Bank and Trust Co. and as a partner in the firm of Graham, Parsons & Co., both of Philadelphia, Pennsylvania.

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

4/4/34

-15-

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

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

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

Approved.

Letter dated April 3, 1934, approved by six members of the Board, to Mr. Alfred Hoel, President of the Western National Bank, Duluth, Minnesota, reading as follows:

"Receipt is acknowledged of your letter of March 19, 1934, in which you ask whether an individual, who is licensed to act as a broker and who is an executive officer of a national bank, may act as broker for customers of the bank in connection with the purchase and sale of securities, in view of the provisions of Section 32 of the Banking Act of 1933.

"The applicable portion of Section 32 is as follows: 'no officer or director of any member bank shall be an officer, director, or manager of any corporation, partnership, or unincorporated association engaged primarily in the business of purchasing, selling, or negotiating securities'. Since the statute refers only to an 'officer, director, or manager' of an organization of the kind described, the mere fact that an officer or director of a member bank, who is not connected with any organization of the kind described in Section 32, acts as broker in his individual capacity would not make that section applicable to him. In this connection, your attention is called to the Federal Reserve Bulletin for December, 1933, pages 770 - 771.

"The question whether an individual, who is licensed to act

4/4/34

-16-

"as broker and who is an executive officer of a member bank, may appoint an agent or agents to act for him, would appear to be a question depending upon local law and it is assumed that you do not desire a ruling by the Federal Reserve Board on this question."

Approved.

Letters dated April 3, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. R. L. Gallaher, for permission to serve at the same time as a director and officer of the First State Bank, Caryville, Tennessee, and as a director and officer of The First National Bank of Coal Creek, Coal Creek, Tennessee.

Mr. M. O. Grangaard, for permission to serve at the same time as an officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, as a director and officer of The Security National Bank of Willmar, Willmar, Minnesota, and as a director of the Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota.

Mr. W. H. Dresslor, for permission to serve at the same time as a director and officer of the Stock Yards National Bank of South Omaha, Omaha, Nebraska, and as a director of the South Omaha Savings Bank, Omaha, Nebraska.

Mr. Jas. B. Owen, for permission to serve at the same time as a director and officer of the Stock Yards National Bank of South Omaha, Omaha, Nebraska, and as a director of the South Omaha Savings Bank, Omaha, Nebraska.

Mr. W. A. Sawtell, for permission to serve at the same time as a director and officer of the Stock Yards National Bank of South Omaha, Omaha, Nebraska, and as a director of the South Omaha Savings Bank, Omaha, Nebraska.

Approved.

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

4/4/34

-17-

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u> First National Bank in Charleroi, Charleroi, Pennsylvania	72	72
<u>District No. 11.</u> First National Bank in Groveton, Groveton, Texas	66	
Haskell National Bank, Haskell, Texas	33	99
	Total	171
 <u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 7.</u> The Indiana National Bank of Indianapolis, Indianapolis, Indiana	150	150
<u>District No. 12.</u> The Washington National Bank of Ellensburg, Ellensburg, Washington	5	
The Commercial Bank of Spanish Fork, Spanish Fork, Utah	6	11
	Total	161
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 3.</u> The First National Bank of Hegins, Hegins, Pennsylvania	84	84
<u>District No. 8.</u> The First National Bank of Wilsonville, Wilsonville, Illinois	18	18
<u>District No. 10.</u> The Lyons National Bank, Lyons, Kansas	36	36
<u>District No. 11.</u> The Gouger National Bank of Robstown, Robstown, Texas	33	33
<u>District No. 12.</u> The First National Bank of Tonasket, Tonasket, Washington	29	29
	Total	200

Approved.

Thereupon the meeting adjourned.

Robert M. Mowbray
Secretary.

Approved:

E. R. Beach
Governor