

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, April 11, 1934, at 3:30 p. m.

PRESENT: Mr. Hamlin, Presiding
Mr. Thomas
Mr. Szymczak

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

The Committee considered and acted upon the following matters:

Memorandum dated April 9, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Miss Rachel Matson as a stenographer in the division, with salary at the rate of \$1,560 per annum, effective as of the date upon which she enters upon the performance of her duties. The recommendation was approved by five members of the Board on April 10, 1934.

Approved.

Memorandum dated April 10, 1934, from Mr. Paulger, Chief of the Division of Examinations, stating that Mr. R. M. Calloway, Federal Reserve Examiner, who has been assigned to the Washington office of the division for some time, is being transferred to the field force, effective at the close of business on April 11, 1934, to take the place of Mr. R. Wilson Oster, who resigned on March 31, 1934; that no change in Mr. Calloway's salary is recommended; but that it is requested that for the present his headquarters be continued at Washington, D. C. The request was approved by five members of the Board on April 10, 1934.

Approved.

Memorandum dated March 31, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated March 23 from Mr. Paddock,

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Deputy Governor of the Federal Reserve Bank of Boston, which requested approval of changes in the personnel classification plan of the bank to provide for the new positions of "law clerk" and "clerk" in the legal department, and stating that the Committee has reviewed the proposed changes and recommends that they be approved. The recommendation was approved by six members of the Board on April 9, 1934.

Approved.

Letter dated April 9, 1934, approved by five members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"In response to your letter of March 22, 1934, you are advised that the Federal Reserve Board has approved the payment of a fee of \$1,500 to Mr. A. K. Merrill, Dothan, Alabama, for legal services rendered to the Federal Reserve Bank of Atlanta in the case of Enterprise Cotton Mills v. Federal Reserve Bank of Atlanta, such fee having previously been approved by the Executive Committee of the Federal Reserve Bank of Atlanta and by Mr. Robert S. Parker, General Counsel to the Federal Reserve Bank of Atlanta."

Approved.

Memorandum dated April 7, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated March 30 from Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago, which requested approval of a change in the personnel classification plan of the bank to provide for the new appraised position of "chief" in the personnel department, and stated that the bank has arranged to employ Mr. J. H. Funk to fill the new position, that, subject to the approval of the Federal Reserve Board, the board of directors of the Federal Reserve Bank of Chicago has authorized the payment of a salary at a rate not to exceed \$6,000 per

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annum for the position, and that the bank has arranged with Mr. Funk to start at \$5,000 per annum with the understanding that if his work is satisfactory he is to receive \$6,000 beginning January 1, 1935. The memorandum recommended that the proposed new position, together with the present salary at the rate of \$5,000 per annum for Mr. Funk, be approved as recommended in Mr. Preston's letter. The recommendation was approved by five members of the Board on April 10, 1934.

Approved.

Letter dated April 10, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of March 28, 1934, regarding the desirability of creating on your examining staff the intermediate grade of Junior Examiner in order to qualify certain of your assistant examiners to conduct independent examinations.

"You suggest that the men whom you would recommend be designated as Junior Examiner would be men qualified to examine some of the smaller institutions although not yet prepared through experience to assume full responsibility for examinations of some of the larger institutions or banks which present unusual problems.

"In this connection you refer to the practice of the Comptroller of the Currency of appointing Junior Examiners. The Board understands that the number of Junior Examiners on the staff of the Comptroller of the Currency is very limited and that in recent years the practice of granting such commissions has been greatly curtailed.

"You report that assistant examiners on your staff are not authorized to conduct examinations. At some of the reserve banks assistant examiners are assigned to conduct such examinations as are considered within their capabilities, and if an assistant examiner is fully qualified to conduct a certain examination, the Board has no objection to his being charged with that responsibility.

"At the present time the personnel classification provides for the designation of chief examiner, examiner, and assistant examiner, and the Board does not believe it necessary at this time to provide an additional classification."

Approved.

Letter dated April 9, 1934, approved by six members of the Board,

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to the board of directors of the "Vandalia State Bank", Vandalia, 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 dated April 10, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to Mr. Dillistin's letter of April 4, 1934 regarding the following condition prescribed by the Reconstruction Finance Corporation in connection with its purchase of \$1,500,000 income debentures of The Mount Vernon Trust Company, Mount Vernon, New York:

'Agreement of Trust Company, in form and substance satisfactory to Special Counsel, whereby the Trust Company agrees that at the expiration of sixty days from the date of the disbursements of the purchase price for the aforesaid Debentures the Trust Company will purchase at face from the Mortgage Company assets at that time pledged by the Mortgage Company to this Corporation in an amount equal to the cash on hand of the Trust Company in excess of 50% of the then deposit liabilities of the Trust Company.'

"Mr. Dillistin requests advice as to whether the above condition conflicts with condition numbered 25 prescribed by the Board in connection with the bank's application for membership which provides as follows:

'Prior to admission to membership, such bank shall obtain from the Reconstruction Finance Corporation an agreement which shall provide that the Reconstruction Finance Corporation has completely released and discharged such bank from any liability on its note to be assumed by the Mortgage Company, representing an advance previously made to the bank by the Reconstruction Finance Corporation.'

"The Board will not consider the above condition prescribed by the Reconstruction Finance Corporation as conflicting with condition

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"numbered 25 prescribed by the Board in connection with the bank's application for membership, provided the assets to be purchased from the Mortgage Company are to be selected by the bank. It is assumed, of course, that the bank will have unrestricted choice of the assets to be purchased and will not purchase any of the assets classified as loss or doubtful by an examiner for the Federal Reserve Bank of New York in the survey made in connection with the application of The Mount Vernon Trust Company for membership in the System."

Approved.

Telegram dated April 10, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, referring to the application of "The Pinconning State Bank", Pinconning, Michigan, 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 Pinconning State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

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

"See Governor Calkins' wire March 29 re First National of Ketchikan. Board would not be willing to pass on application of bank without current examination. Comptroller's Office advises that unless bill providing for extension of temporary insurance fund is passed by Congress national bank examiners will not be available for examination of bank until after July 1, 1934. If you think it advisable, there will be no objection on part of Board or Comptroller of Currency to your sending examiner to Ketchikan for purpose of making examination. Please advise decision reached by you."

Approved.

Letter dated April 9, 1934, approved by five members of the Board, to "The Welden National Bank in St. Albans", St. Albans, Vermont, reading

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as follows:

"The Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Vermont, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by the Welden National Bank of St. Albans, you should carefully scrutinize their condition and should not accept any of such trusts, which, through their assumption, may be detrimental to the interests of your institution."

Approved.

Letter dated April 9, 1934, approved by five members of the Board, to "The Union National Bank of Waynesburg", Waynesburg, Pennsylvania, reading as follows:

"The Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by the Union Trust Company, Waynesburg, Pennsylvania, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of your institution."

Approved.

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Letter dated April 9, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This is to advise you that the Federal Reserve Board approves the application of 'The Home State Bank of South Milwaukee', South Milwaukee, Wisconsin, for permission to exercise the fiduciary powers authorized under its charter and the law of the State of Wisconsin, provided that prior to the exercise of any of these powers the board of directors of such bank shall adopt an appropriate resolution accepting the three conditions given below and shall transmit to the Board, through you, a copy of such resolution:

1. Such bank shall not invest trust funds held by it in obligations of the bank's directors, officers, employees or their affiliations or corporations affiliated with the bank.
2. Except with the permission of the Federal Reserve Board, such bank shall not invest the funds of various trusts held by the bank in participations in pools of mortgage bonds or other securities, and the funds of all such trusts shall be invested separately from each other; provided, however, that the Federal Reserve Board will not object to the collective investment of small amounts of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary.
3. If trust funds held by such bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise The Home State Bank of South Milwaukee of the Board's action."

Approved.

Letter dated April 10, 1934, approved by four members of the Board, to the "First National Bank in Fairfield", Fairfield, Iowa, reading as follows:

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"Reference is made to the application filed by you through the Federal Reserve Agent at the Federal Reserve Bank of Chicago, for permission to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"The Federal Reserve Board has considered this application and authorizes your bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Iowa, only in the specific trusts in which The First National Bank of Fairfield, Fairfield, Iowa, had been appointed and was acting on the date the First National Bank in Fairfield was authorized by the Comptroller of the Currency to commence business, the exercise of such powers to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. Action has been deferred upon your application for full fiduciary powers until the institution has been examined and a report of such examination is available."

Approved.

Letter dated April 9, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of March 30, 1934, transmitting the request of the 'Citizens Bank and Trust Company', Blackstone, Virginia, for permission to reduce its capital stock from \$100,000 to \$50,000, in accordance with a plan which provides for the use of the released capital in eliminating estimated losses, reducing the carrying value of other real estate and charging off or establishing reserve against doubtful assets, and recommending that the Board approve such reduction without requiring the sale of preferred stock which has been under consideration.

"Inasmuch as the entire amount of the released capital is to be used to eliminate or reduce unsatisfactory assets, and since the Board's consent to the reduction in capital is not required by law or the conditions of membership applicable to the bank, the Board offers no objection to the reduction in the amount indicated, with the understanding, of course, that your counsel has considered the case and is satisfied as to its legal aspects, and that the transaction has the approval of the Virginia State Banking Department.

"The Board feels, however, in view of the bank's heavy investment in bank premises, furniture and fixtures and other real estate, large lines of credit and low liquidity, that the issuance and sale

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"of at least \$25,000 of preferred stock to the Reconstruction Finance Corporation or others, is highly desirable in this instance. It is suggested, therefore, that you endeavor to have the bank supplement its capital reduction program by the sale of \$25,000 of preferred stock."

Approved.

Letter dated April 10, 1934, approved by four members of the Board, to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of March 17, 1934, and previous correspondence relating to the reduction of capital stock of the Bank of Lakeview, Lakeview, Michigan. You state that the books of the bank still reflect a \$40,000 capital, that the capital stock of the bank has not yet been reduced, and that the proposed reduction in common capital will become effective only after the failure to collect a 100% assessment against all stockholders of the bank. It is also noted from your letter that, in the event of failure to collect such assessment in full, common capital will be reduced and the balance up to \$40,000 will be provided through the sale of preferred stock either locally or to the Reconstruction Finance Corporation. In this connection, the Board would like to be advised as to when the period within which the assessment is collectible will terminate.

"In the amendment to the Articles of Incorporation changing the corporate title of the bank from the Farmers & Merchants State Bank to the Bank of Lakeview, which you transmitted to the Board on March 14, 1934, it is noted that the total number of shares of capital stock is 250. It also appears from the Articles of Incorporation that the par value of each share of stock is \$100. It would seem from these documents, therefore, that the capital stock of the bank as of March 8, 1934, the date of certification of the amendment to the Articles of Incorporation by the Michigan State Banking Department, was \$25,000. In this connection, the records of the Board do not contain an amendment to the Articles of Incorporation of the bank reducing the number of shares of stock outstanding from 400 to 250.

"In view of the provision in the amended Articles of Incorporation transmitted with your letter of March 14, 1934, changing the corporate title of the bank, it is suggested that you ascertain definitely whether or not the bank has actually reduced its capital, and advise the Board more fully in the matter."

Approved.

Letter dated April 10, 1934, approved by four members of the

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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 in St. Louis', St. Louis, Missouri, from \$12,000,000 to \$10,200,000, pursuant to a plan which provides that the bank's capital shall be increased by \$4,000,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate substandard assets and/or securities depreciation in the amount of approximately \$875,000 and to augment reserves for contingencies in the amount of approximately \$925,000, all as set forth in your memorandum of April 9, 1934."

Approved.

Letter dated April 9, 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 in Mount Pleasant', Mount Pleasant, Texas, from \$75,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate approximately \$35,000 of substandard assets, to establish a surplus fund of \$10,000 and a reserve for contingencies of \$5,000, all as set forth in your letter of April 3, 1934."

Approved.

Telegram dated April 10, 1934, approved by five members of the

Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Retel April 7 reference limited voting permit Bank Shares Corporation. Board authorizes extension of limit of time within which the limited voting permit may be used from April 1, 1934 to May 1, 1934 as requested."

Approved.

Two telegrams dated April 10, 1934, approved by five 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 applica-

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tions of the "Old National Corporation" and the "Investment and Securities Co.", both of Spokane, Washington, for voting permits under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organizations to vote the stock which they own or control in the following banks:

- "The First National Bank of Grandview", Grandview, Washington,
- "The First National Bank of Medical Lake", Medical Lake,
Washington,
- "The Security National Bank of Palouse", Palouse, Washington,
- "The First National Bank of Reardan", Reardan, Washington,
- "The First National Bank of Ritzville", Ritzville, Washington,
- "First National Bank in Sprague", Sprague, Washington,
- "The First National Bank of Sunnyside", Sunnyside, Washington,

and has authorized the issuance of limited permits to the applicants for the following purpose:

"At any meeting prior to July 1, 1934 of the stockholders of each of such banks to act upon a proposal to effect the liquidation of such bank under a plan satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco and the Chief National Bank Examiner for the Twelfth Federal Reserve District, provided that a permit to establish a branch in the premises heretofore occupied by such bank shall first have been granted to The Old National Bank and Union Trust Company of Spokane, Spokane, Washington, by the Comptroller of the Currency."

The telegrams also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Old National Corporation and the Investment and Securities Co., limited voting permits in accordance with the telegrams.

Approved.

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

"Retel April 9 asking confirmation our 147 of 7th. In reply to

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"Board's request for his recommendation Federal Reserve Agent at Minneapolis wired Board April 3 that principal office McCloud River Lumber Company was not at Minneapolis as voting permit application stated but at McCloud River, California. Please ascertain from applicant correct location of its principal office and use such address in limited permit also advising Board. In circumstances and at suggestion of Minneapolis Federal Reserve Agent Board will not require his recommendation nor that of Executive Committee Minneapolis bank prior to issuance of limited permit."

Approved.

Memorandum dated April 4, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending that a Federal reserve bank that has deposited lawful money with the Treasurer of the United States to retire all of its Federal reserve bank notes in circulation include in its daily balance sheet under the caption "Other cash reserves" any of its own Federal reserve bank notes which are subsequently held by it.

Approved.

Memorandum dated April 5, 1934, from Mr. Chase, Assistant Counsel, recommending the publication in the next issue of the Federal Reserve Bulletin of a statement, in the form attached to the memorandum, with regard to a ruling recently made by the Federal Reserve Board with respect to the applicability of section 8A of the Clayton Act to the service of organizations carrying "margin accounts". The memorandum stated also that, in view of the large number of pending applications under section 32 of the Banking Act of 1933 which are affected by the ruling referred to, the Federal Reserve Bank of New York has requested by telephone it be given permission to communicate the substance of the ruling to interested persons at this time, and that, because of the period which

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must elapse before the ruling will be made public by publication in the Federal Reserve Bulletin, it is recommended that a copy of the statement to be published in the Bulletin be forwarded to all Federal reserve agents and that they be authorized to communicate its substance to all interested persons. The recommendations were approved by six members of the Board on April 10, 1934.

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"There have been forwarded to you today under separate cover copies of Form 231, a copy of which is attached, for the use of State bank members in submitting reports, as of April 30, 1934, showing the book and market or appraised values of their loans and investments and of bank premises and other real estate owned and the effect of any depreciation in the value of such assets on capital account. Three copies of the form should be mailed to each State bank member in time to reach it on April 16. A copy of the letter to be sent to State bank members asking for the report is inclosed.

"Similar reports are being requested of National banks by the Comptroller of the Currency, and such banks are being instructed to send copies of their reports to your bank.

"After your office has had an opportunity to examine each report submitted by State bank members and by National banks, if it is felt that the net capital account for any bank, as reported against Item 16 of Schedule 4, is substantially overstated, the Board will be pleased to have any comments you care to submit in regard thereto."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"The Board has been advised by a number of the Federal Reserve agents that they have received an inquiry from Mr. Lawrence Clark of 512 West 122nd Street, New York City, as to the amount of gold earmarked for foreign account by their respective Reserve banks, and it is assumed that a similar inquiry has been received from

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"Mr. Clark by other Federal Reserve agents.

"On November 8, 1933, Mr. Clark addressed substantially the same inquiry to the Federal Reserve Board, and there is inclosed for your information a copy of the reply sent to him under date of November 22, 1933."

Approved.

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

"Referring Mr. Fletcher's April 2 letter, Board revokes approval application The First National Bank at Stoyestown, Pennsylvania, for Federal Reserve bank stock granted March 20, 1934, and approves new application of The First National Bank at Stoystown for 36 shares made pursuant to resolution adopted at meeting of Board of Directors held on March 29, 1934, effective if and when Comptroller of Currency authorizes bank to commence business."

Approved.

Letter dated April 10, 1934, approved by five members of the Board, to the Attorney General of the United States, reading as follows:

"This refers to your letter of March 30, 1934, (JBK-WHR-29-36-85), requesting a certified copy of the application for membership in the Federal Reserve System made by the Federal National Bank of Boston, Massachusetts, and the name of the Board's employee who will be designated to convey the original of this application to Boston in case it is found that the certified copy will not be admitted in evidence. It is understood that this information is desired in connection with the prosecution by Mr. Irving G. McCann, Special Assistant to the Attorney General, of certain criminal irregularities which have arisen at that bank.

"According to the records of the Federal Reserve Board, the Federal National Bank of Boston, Boston, Massachusetts, became a member of the Federal Reserve System on March 20, 1923, as the result of a conversion under the provisions of Section 5154 of the Revised Statutes of the United States as amended, of The Federal Trust Company, also of Boston. The Federal Trust Company became a stockholder of the Federal Reserve Bank of Boston and a member of the Federal Reserve System on October 7, 1922.

"In connection with your request for a certified copy of the application for membership in the Federal Reserve System made by the Federal National Bank of Boston, Section 2 of the Federal Reserve Act requires each newly incorporated national bank to become a member

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"of the Federal Reserve System through the subscription for stock in the Federal reserve bank of the Federal reserve district in which the national bank is located and the application for such stock is customarily filed with the Federal Reserve Board. In the instant case, however, the Federal National Bank of Boston, as stated above, was the result of a conversion of a State member bank of the Federal Reserve System and under the provisions of the Board's Regulation I, no original application for Federal reserve bank stock was required of the national bank as such, but it was permitted to hold as a national bank the shares of Federal reserve bank stock previously held as a State bank. However, the certificate of stock issued by the Federal Reserve Bank of Boston in the name of the State bank was surrendered to and cancelled by the Federal reserve bank and a new certificate was issued in lieu thereof in the new name of the member bank.

"The Board does have available, however, the applications for additional shares of Federal reserve bank stock subsequently filed by the Federal National Bank of Boston and there is inclosed herewith, for such use as Mr. McCann desires to make of it, a certificate certifying to the fact that the papers attached thereto are true and complete photostatic copies of such applications. In this connection attention is directed to the fact that these applications contain a certificate signed by the Board's Assistant Secretary signifying that they were approved by the Board. There are inclosed also a certificate certifying with respect to the membership of this bank in the Federal Reserve Bank of Boston and a certified copy of the application filed by its receiver for the surrender and cancellation of the Federal reserve bank stock held by it.

"For the further use of Mr. McCann in connection with the membership of the Federal National Bank of Boston, there are inclosed also a certified copy of the Board's Regulation I which was in effect at the time of the conversion referred to above and a certified copy of the certificate issued by the Comptroller of the Currency authorizing this bank to commence business and evidencing the conversion of the State bank into a national bank.

"The certificates representing the Federal reserve bank stock held by the Federal National Bank of Boston were issued to it by the Federal Reserve Bank of Boston and if Mr. McCann deems the exhibits inclosed herewith insufficient for his purposes he will, no doubt, be able to secure from the Federal Reserve Bank of Boston certified copies of such stock certificates.

"With respect to your request that you be furnished with the name of the employee of the Federal Reserve Board who will be designated to convey to Boston the originals of the documents certified to by the Board in case it is found that the certified copies will not be admitted in evidence, you are advised that, if it becomes necessary to have a witness testify for this purpose, the Board will be prepared to have its Assistant Secretary, Mr. S. R. Carpenter, attend the trial of this case and produce such original documents.

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"If this is done, however, the Board requests that photostatic copies of the original documents be substituted in the records of the Court as soon as possible in order that the originals may be returned to the Board. The Board understands, of course, that the expense of Mr. Carpenter's attendance at this trial will be borne by the Department of Justice."

Approved.

Letter dated April 10, 1934, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letters of January 30, March 9 and March 12, together with their inclosures, raising certain questions with respect to the examination of trust departments. While it is not possible at this time to answer adequately all of your questions, reference is made to the Board's letter dated November 17, 1933, X-7688-a, in regard to employment of trust examiners, from which the following is quoted:

'The entire scope of the duties of a trust examiner, of course, cannot be sharply defined, but it is the view of the Board that when an examination is made of a State bank applying for membership in the system which has a trust department, there should be an examination of that department by a qualified trust examiner, and that the trust department of every State member bank should be examined periodically. As to national banks, the responsibility of examining the trust department lies, of course, primarily with the Comptroller of the Currency, but in some cases trust departments of national banks may require special attention and it may be found mutually advantageous to have your trust examiner cooperate with the national bank examiners. In addition, there may be cases of national banks applying for permits to exercise trust powers in order that they may be able to take over trust business previously handled by State institutions and in such instances you should arrange for examinations of the trust department of the State institutions by your examiner, unless the necessary examinations have been made by other competent examiners whose reports are entirely satisfactory.'

"It is believed that trust examinations made by your examiner should be primarily of State member banks exercising trust powers, of nonmember State banks applying for membership, and of trust departments of State institutions being absorbed by national banks which in turn apply for trust powers, and that for the present, at least, regular examinations of trust departments of national banks should be limited to the instances in which the need or desirability

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"of such examinations is specially indicated and may be made with the approval and cooperation of the Comptroller's Office.

"In addition to this and other work suggested in the Board's letter previously referred to, the trust examiner could be utilized in reviewing applications of national banks for fiduciary powers and developing the detailed information desired by the Board in considering such applications. This information includes, of course, not only the examination of the trust department of any bank which may be involved but the developing of information in regard to the proposed management and supervision to be given a new trust department, qualifications of the proposed trust officer and trust committee, availability of competent legal counsel, etc.

"When an independent examination is made of the trust department of a national bank, it is felt that both the bank and the Comptroller of the Currency should receive copies of your examiner's report, except, of course, that the bank should not be furnished the confidential portion, if any, and that it would be preferable to leave to the Comptroller the primary responsibility of obtaining correction of criticized matters, although a check on such matters at the time of a subsequent examination by national bank examiners or by your examiner would be desirable. In this connection it is assumed that as a matter of cooperation in any examination of the trust department of a national bank your examiner will discuss with the national bank examiner in charge the condition of the trust department and the various matters of criticism disclosed in the examination, and that the material assembled by your examiner will be available to the national bank examiner for inclusion in his report if he so desires.

"It would also seem that as the trust examiner gains experience and understanding of the problems involved, he should be helpful to the Federal Reserve Agent in drafting correspondence, conferring with representatives of banks having trust departments, and formulating reports to the Board.

"While the report form used by your office appears to be generally satisfactory, it is not being commented upon in detail at this time as it is expected that in the near future the proposed standardized form of examination report, which covers the trust department, will be completed and made available for consideration. In the meantime a copy of the last draft of this report is being sent you under separate cover. You may be interested to know that this draft has been reviewed by examiners for the Federal Deposit Insurance Corporation who have advised that they will recommend that the form be adopted for use by the corporation. A revision of analysis form 212 to include information in regard to trust departments is now under consideration by the Division of Examinations.

"It is evident from the report of examination of the trust department of the First and American National Bank of Duluth, Duluth, Minnesota, that your examiner has developed much pertinent information and has made constructive and valuable suggestions. That report has been reviewed by the examiners in this Division who have been

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"engaged in the preparation of the revised form of examination report, and it is noted that on page 16 the examiner called attention to certain securities which had been pledged to secure trust funds deposited in the commercial department of the bank but which he states are ineligible for such purpose under the law and the regulations. It is suggested that in such cases the report show the reason for the ineligibility of each criticized issue.

"The report of examination of the trust department of the First National Bank of Sioux Falls, Sioux Falls, South Dakota, which was forwarded with your letter of March 12, 1934, has been received but as yet has not been reviewed."

Approved.

Letter dated April 10, 1934, approved by four members of the Board, to Mr. G. O. Hage, President of the Crookston Trust Company, Crookston, Minnesota, reading as follows:

"The Comptroller of the Currency has referred to the Federal Reserve Board your letter of February 16, 1934, in which you state that you are interested in obtaining an amendment to the law which would enable the Crookston Trust Company, Crookston, Minnesota, to become a member of the Federal Reserve System without increasing its capital from \$50,000 to \$100,000.

"It is understood that Crookston has a population in excess of 6000 inhabitants and under the law a national bank could not be organized in a place of that size with a capital of less than \$100,000. In view of this requirement the Board does not deem advisable an amendment to the law which would permit the admission to membership in the Federal Reserve System of a State bank situated in a place the size of Crookston and having less than \$100,000 capital. In this connection, it may be noted that prior to the enactment of the Banking Act of 1933 a State bank located in a place the size of Crookston could have been admitted to membership in the Federal Reserve System with a capital of \$60,000, 60% of the amount required for the organization of a national bank, provided that it agreed to increase its capital to at least \$100,000 within the time fixed by the Federal Reserve Board and in accordance with regulations prescribed by the Federal Reserve Board. However, the provision of the Federal Reserve Act under which this could be accomplished was repealed after consideration by Congress by the Banking Act of 1933. You will observe therefore that Congress has recently considered and passed upon substantially the same question as the one you present."

Approved.

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Letter dated April 10, 1934, approved by five members of the Board, to Mr. Alfred Hart, Waterbury, 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 Waterbury National Bank, and as director and officer of The R. F. Griggs Company, a dealer in securities, both of Waterbury, 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 the R. F. Griggs Company is primarily engaged in purchasing, selling, and distributing 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 as promptly as possible in writing, through the Federal Reserve Agent at the Federal Reserve Bank of Boston.

"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.

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"Although the Federal Reserve Board is authorized by Section 8 of the Clayton Act to issue permits under certain circumstances covering relationships to which the provisions of the Clayton Act are applicable, its authority is limited to the issuance of permits covering the service of not more than three banking institutions of certain classes, and it may therefore not issue permits involving relationships between national banks and organizations which are not banking institutions of the classes referred to. Therefore, if The R. F. Griggs 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 10, 1934, approved by four members of the Board, to Mr. E. K. Dillingham, Houston, Texas, 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 South Texas Commercial National Bank, and as an officer and a director of Dillingham & McClung, Inc., both of Houston, Texas.

"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 Dillingham & McClung, Inc., is engaged in purchasing, selling 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

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"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 9, 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:

"Reference is made to your letter of January 20, 1934, in which you ask whether a permit heretofore issued pursuant to the provisions of the Clayton Act which authorizes service as 'director' of a bank is valid in case the permittee is now serving as officer as well as director of such bank.

"A permit authorizing an individual to serve as a director of a particular bank does not authorize his service as an officer of that bank. However, in such a case it has been the Board's practice not to require the filing of another formal application, but a request by letter that a permit be granted covering his service as officer as well as director has been regarded as sufficient. This procedure may still be followed if the permit to serve as director was based on an application filed on the revised forms issued in connection with the revision of Regulation L, which became effective on November 1, 1933. Such letters should contain the information called for by Question 12 on Federal Reserve Board Form 94, and should be forwarded to your office so that they may be transmitted to the Board with your recommendation and with any additional information which may have been received by your office since the application was submitted to the Board bearing upon the question whether the revised permit should be granted. However, this procedure should not be followed where the request for a new permit refers to an application filed more than a year previously, and in such a case it is thought desirable to require the filing of a new application in order to assure that the information before the Board will be current.

"In view of the fact that the Clayton Act has been amended by the Banking Act of 1933 and that Regulation L and the accompanying forms have been revised, it is felt that the procedure described

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"above should likewise not be followed where the request for a new permit refers to an application submitted on the old forms, but that a new application should be made on the revised forms, since the information before the Board would otherwise not be sufficiently current nor as comprehensive as that now required."

Approved.

Letters to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Percy H. Dowden, for permission to serve at the same time as a director and officer of The First National Bank of Croton on Hudson, Croton-on-Hudson, New York, and as an officer of the Ossining Trust Company, Ossining, New York.

Mr. W. A. Ranney, for permission to serve at the same time as a director and officer of The First National Bank of Croton on Hudson, Croton-on-Hudson, New York, and as a director and officer of the Ossining Trust Company, Ossining, New York.

Mr. C. G. Harnsberger, for permission to serve at the same time as a director and officer of The Bank of Elkton, Inc., Elkton, Virginia, and as a director and officer of The Rockingham National Bank of Harrisonburg, Harrisonburg, Virginia.

Mr. C. E. England, for permission to serve at the same time as a director of The National Bank of Decatur, Decatur, Illinois, and as a director of The First National Bank of DeLand, DeLand, Illinois.

Mr. W. R. Shurts, Jr., for permission to serve at the same time as a director and officer of The First National Bank of Ogden, Ogden, Iowa, and as a director of the Boone State Bank and Trust Company, Boone, Iowa.

Mr. F. M. Edwards, for permission to serve at the same time as a director of The Old National Bank of Centralia, Centralia, Illinois, and as a director and officer of the Farmers and Merchants State Bank of New Baden, New Baden, Illinois.

Mr. L. G. Carlton, for permission to serve at the same time as a director and officer of The First National Bank of Cripple Creek, Cripple Creek, Colorado, as a director and officer of The First National Bank of Canon City, Canon City, Colorado, and as a director and officer of the First National Bank in Grand Junction, Grand Junction, Colorado.

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Mr. Samuel M. Woodson, for permission to serve at the same time as a director and officer of the Mercantile Home Bank and Trust Company, Kansas City, Missouri, and as a director of The National Commercial Bank of Liberty, Liberty, Missouri.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Berlin National Bank, Berlin, New Hampshire	72	72
<u>District No. 4.</u>		
Brookville National Bank, Brookville, Ohio	36	
First National Bank in St. Marys, St. Marys, Ohio	<u>44</u>	80
<u>District No. 10.</u>		
Walters National Bank, Walters, Oklahoma	<u>36</u>	<u>36</u>
	<u>Total</u>	<u>188</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Worcester County National Bank of Worcester, Worcester, Massachusetts	37	37
<u>District No. 5.</u>		
The Flat Top National Bank of Bluefield, Bluefield, West Virginia	123	123
<u>District No. 8.</u>		
The New First National Bank of Paragould, Paragould, Arkansas	2	2
<u>District No. 9.</u>		
The First National Bank of Marshall, Marshall, Minnesota	31	
The Northwestern National Bank of Madison, Madison, South Dakota	4	
The First National Bank of Baldwin, Baldwin, Wisconsin	5	

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Applications for ADDITIONAL Stock: (Continued)District No. 9. (Continued)The First National Bank of Prescott,
Prescott, Wisconsin

Shares

10	50
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District No. 10.The Security National Bank of Norman,
Norman, Oklahoma

15	15
<u>Total</u>	<u>227</u>

Applications for SURRENDER of Stock:District No. 2.The First National Bank of Waverly,
Waverly, New York

120	120
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District No. 8.The First National Bank of Bunker Hill,
Bunker Hill, Illinois

12	12
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District No. 9.The First National Bank of Jordan,
Jordan, Montana

18	18
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District No. 12.The First National Bank of Corcoran,
Corcoran, California
The First National Bank of San Gabriel,
San Gabriel, California

90	
35	125
<u>Total</u>	<u>275</u>

Approved.

Thereupon the meeting adjourned.

Robert Moriel
Secretary.

Approved:

C. S. Stanley
Chairman, Executive Committee.