A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, April 16, 1934, at 11:30 a.m.

PRESENT: Mr. Miller, Presiding.
Mr. Hamlin
Mr. Thomas
Mr. Szymczak
Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary

The Committee considered and acted upon the following matters:

Letter dated April 12, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated April 13, 1934, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. L. R. Rounds, Chairman of the Retirement Committee of the Retirement System of the Federal Reserve banks, reading as follows:

"Receipt is acknowledged of your letter of March 30, 1934, addressed to Governor Black, and which apparently has been forwarded by you to all Federal reserve banks for the purpose of calling their attention to the failure of some of the banks to fill in form 6 in such a manner as to make it possible for the retirement committee to check the accuracy of the report.

In reading your letter, it is noted that as to leaves of absence granted prior to March 1, 1934, it will be necessary for the employing bank to determine in each individual case whether it wishes the period of the leave of absence to count as prior service. The Federal Reserve Board has given consideration to this matter and has decided that as to its employees, all leaves of absence on account of illness or to serve the Federal Government in a military or related capacity, or in a civil capacity, or to serve one of the corporations owned or controlled by the Government, and all other leaves of absence not to exceed
"six months, will be counted as prior service. However, in any case where an employee has resigned to accept other employment and is subsequently reemployed by the Federal Reserve Board, the time during which he was out of the employ of the Board will not be included in his prior service.

"A copy of this letter is being forwarded to each Federal reserve bank for its information."

Approved.

Memorandum dated April 11, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated April 6 from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of changes in the personnel classification plan of the bank to provide for nine new positions in the fiscal agency department, and stating that the Committee has reviewed the proposed changes and recommends that they be approved. The recommendation was approved by five members of the Board on April 13, 1934.

Approved.

Letter dated April 13, 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 your letter of March 26, 1934, regarding the nine nonmember State banks in the Marine Midland Group. It has been noted that the management has advised that definite programs for strengthening and improving the condition of several of these banks have been and are now in operation, and suggests that the matter of membership be temporarily held in abeyance. You suggest that it might be a good plan to have these nine banks examined simultaneously some time after July 1 of this year, when your present program in respect to the examination of State member banks will have been completed.

"It would be desirable to examine these nine banks for membership at the same time as the simultaneous examinations are made of the other banks of the Group, but if circumstances should make it advisable that any of these nine banks be admitted to membership prior to the time when the contemplated simultaneous examination
"Of all of the banks in the Group has been completed, it would not seem that a simultaneous examination of these nine banks would be necessary in connection with the application for membership."

Approved.

Letter dated April 14, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to Mr. Fry's letter of March 6, 1934, with regard to the proposed elimination of losses in the Kanawha Banking and Trust Company of Charleston, West Virginia. It appears that the trust company proposes to sell its debentures in the amount of $250,000 to the Reconstruction Finance Corporation and to use the proceeds of the sale of such debentures to charge off approximately $250,000 of assets criticized by the examiner at the time of its last examination. Mr. Fry inquired whether the trust company may properly effect the eliminations in this manner and in its reports and published statements show its obligation on the outstanding debentures only in a footnote to such reports and statements containing a statement to the effect that it has sold debentures to the Reconstruction Finance Corporation in the amount of $250,000.

"A bank's reports and published statements should reflect the true condition of its assets and liabilities including all of its capital accounts. Inasmuch as capital debentures represent a definite obligation of the bank to the holders of such debentures, the amount of the bank's liability on account of any such debentures outstanding should be shown as such in the bank's reports and published statements rather than in a footnote thereto, and, in order to avoid any deficiency in the capital accounts of the bank, its assets, of course, must be equal to the amount of its obligations to depositors and other creditors and the amount of all of its capital accounts including capital debentures. Therefore, as indicated in Mr. Fry's letter, it is apparent that if the reports and published statements of the Kanawha Banking and Trust Company are to reflect correctly the condition of the assets and liabilities of the bank and not reflect a deficiency in the bank's capital accounts after the proposed eliminations it will be necessary, in the circumstances described in this case, for the bank by appropriate action to reduce its surplus or outstanding capital stock in an amount sufficient to provide for such eliminations.

"In this connection your attention is called to the fact that the Board's instructions for preparing the last call report of State member banks contain the following provisions relating to
"the method of reporting capital accounts.

'A State bank member should not show any surplus or undivided profits in condition reports on Form 105 so long as the net book value of capital notes and debentures and capital stock is less than the aggregate of (1) the amount at which capital notes and debentures or preferred stock must be retired or to which the holders thereof are entitled in case of liquidation, and (2) the par value of common stock.'"

Approved.

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

"This refers to Mr. Sargent's letter of March 31, 1934, with enclosures, reporting a possible violation of the provisions of Section 5209 of the Revised Statutes of the United States, by Fred Foote, a former employee of the San Rafael Branch of the American Trust Company of San Francisco.

"It is noted that you have also reported this alleged irregularity to the United States Attorney at San Francisco, California; but, in view of the small amount involved, $50.00, the Board is not reporting it to the Department of Justice. This decision, however, should not influence you in reporting to the Board other possible violations of the criminal provisions of the banking statutes of the United States involving inconsiderable amounts which come to your attention in the future, because the Board desires to receive special reports on all such cases as promptly as possible."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller Ault, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank and Trust Company of Baldwinsville', Baldwinsville, New York, from $100,000 to $50,000, pursuant to a plan which provides that the bank's capital shall be increased by $50,000 of Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and $25,000 of Class 'B' Preferred stock to be sold to local interests, and that the released
"capital, together with the bank's undivided profits, shall be used to eliminate substandard assets and securities depreciation, all as set forth in the Acting Comptroller's memorandum of April 5, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected, it has been noted that after the proposed eliminations are consummated there will remain in the bank securities depreciation amounting to approximately $44,000

which will impair the bank's capital to the extent of approximately $14,000. It is assumed, however, that you have this condition in mind and that whenever it becomes feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated April 12, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank and Trust Company of Findlay', Findlay, Ohio, from $350,000 to $210,000, pursuant to a plan which provides that the bank's capital shall be increased by $210,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital, together with the reserve for contingencies and a portion of the surplus account, shall be used to eliminate substandard assets in the amount of approximately $305,000, all as set forth in your memorandum of March 31, 1934."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of April 7, 1934, in regard to the proposed reduction in the common capital stock of 'The Arkansas National Bank of Hot Springs', Hot Springs, Arkansas, which was approved by the Board on December 19, 1933, in accordance with the plan as set forth in your memorandum of December 1, 1933. In accordance with your recommendation, the Board amends its previous approval of the proposed capital reduction to provide for the return to the Liberty Realty Company of the assets transferred by it to the Fidelity Mortgage Company as part collateral to a loan from the Reconstruction Finance Corporation to the mortgage company for the benefit of the bank, or an amount equal to the sum realized from such assets, before any assets of the mortgage
"company remaining after the liquidation of the Reconstruction Finance Corporation loan are returned to the bank."

Approved.

Letter dated April 12, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of April 7, 1934, in regard to the proposed reduction in the common capital stock of 'The First National Bank and Trust Company of Oklahoma City', Oklahoma City, Oklahoma, which was approved by the Board on March 28, 1934, in accordance with the plan as set forth in your memorandum of March 10, 1934.

"It is understood from your supplemental memorandum and the accompanying correspondence that the bank desires a modification of the requirement previously imposed, that the entire amount of the released capital be used to eliminate unsatisfactory assets, to provide for the elimination of the items classified by your examiner as loss and to establish a special reserve of approximately $1,000,000 against the doubtful and other substandard assets.

"In accordance with your recommendation, the Board amends its previous approval of the proposed capital reduction to provide for the elimination of approximately $2,099,500 of estimated losses, as classified in the report of examination of January 4, 1934, and the establishment of a special reserve of approximately $1,000,000 against doubtful and other substandard assets, all as set forth in your memorandum of April 7, 1934, it being understood that the other provisions of the plan of capital reduction remain unchanged."

Approved.

Telegram dated April 13, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Relet April 7 with reference limited voting permit First Securities Corporation and First Trust and Deposit Company both of Syracuse. The Board's files indicate First Trust and Deposit Company and several member banks are in need of capital rehabilitation and Board feels that holding company affiliates should be required to cause this rehabilitation at earliest practicable date. In the circumstances the Board feels that the request of the applicants should not be granted."

Approved.
Telegraphic reply on April 12, 1934, approved by five members of the Board, to a letter dated April 5 from Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that, in accordance with the Board's instructions with regard to the accumulation of information for consideration in issuing voting permits and in connection with the examination of certain member banks, he is endeavoring to make as complete an examination as possible of all the affiliated banks of the Northwest Bancorporation, Minneapolis, Minnesota, as of April 9, 1934, and that, in addition to the examinations to which these banks will be subjected, a set of forms, a copy of which was inclosed with the agent's letter, had been prepared and will be mailed to every bank in the group with the request that they complete the forms as of the close of business on April 7, 1934, and that, in negotiations with the chief national bank examiner of the Ninth Federal Reserve District, he had requested the agent to furnish the Comptroller of the Currency with one copy of the forms referred to in each instance. The letter also inquired as to whether such an arrangement would be satisfactory to the Board. The reply read as follows:

"Relet April 5 re Northwest Bancorporation simultaneous examination Exhibit N apparently covers question raised in fourth paragraph of your letter and it seems desirable to cooperate with Comptroller as indicated."

Approved.

Letter dated April 14, 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:
Referring to your letter of March 20 with regard to the condition report submitted as of December 30, 1933, by the Merchants Bank, Kansas City, Missouri, it is requested that you ask the member bank to furnish you with a letter signed by one of its officers stating the exact changes which should be made to correct the errors in its condition report.

"With regard to the Northern Securities Company, if a majority of the directors of this company are directors of the member bank it is an affiliate under Section 2 (b) (3) of the Banking Act of 1933, and its reports should be submitted by the bank in response to calls by the Board and published under the same conditions as govern publication of the bank's own reports. In the circumstances, however, it will not be necessary for a report of the Northern Securities Company to be submitted or published as of December 30, 1933."

Approved.

Letter dated April 13, 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:

"Receipt is acknowledged of your letter of March 28, in which you inquire whether publication of reports as of December 30, 1933, will be required with respect to affiliates of the International Trust Company, Denver, Colorado, and the Riverview State Bank, Kansas City, Kansas.

"As stated in our letter of April 2, publication of affiliates' reports submitted by State member banks in Colorado in response to the Board's call of December 30, 1933, does not appear to have been necessary, since, as we understand, there was no call by the State banking department as of that date nor as of any intervening date between then and March 5, the date of the current call by the Board. Apart from this consideration moreover the Board has not in general required retroactive submission and publication of reports in cases where there has been a failure at the time of prior calls to recognize the existence of an affiliation, and accordingly since reports as of March 5 have been called for by the Board, the reports as of December 30 need not now be submitted.

"For the reason last mentioned, publication of the report as of December 30, 1933, of the Central Securities Company, inactive affiliate of the Riverview State Bank, Kansas City, Kansas, also mentioned in your letter of March 28, will not now be required, assuming that there will be publication of the report as of March 5."

Approved.
Telegram dated April 14, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Retel April 3. Publication by Colorado State member bank shortly after March 5 of report of affiliate as of that date was not required by law despite Board's call as of that date and such publication does not relieve bank of obligation under Federal Reserve Act of again publishing such report after State call as of March 15, at time and in manner in which bank must, under State law, publish its own report rendered pursuant to State call as of March 15. Foregoing ruling based upon Board's understanding that publication of affiliate's report shortly after March 5 was not accompanied by publication of bank's own report. However, inasmuch as bank apparently acted in good faith and in accordance with its interpretation of Board's instructions in publishing report of its affiliate following the March 5 call, and with understanding that Board's action in this case will not be taken as a precedent, the Board will take no further action with regard to republication of such report."

Approved.

Telegram dated April 12, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Referring your April 10 wire, Comptroller's office informs us that First National Bank of Utica, Utica, Nebraska, was authorized to reopen for business effective April 5 with $250,000 capital and $3,000 surplus, and that it was not aware that Federal Reserve bank stock of the bank had been canceled. Board approves issue of 22 shares of Federal Reserve bank stock to First National Bank of Utica upon receipt of payment therefor. No application for such stock need be submitted to Board."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. W. Randolph Burgess, Secretary of the Federal Open Market Committee, reading as follows:

"Receipt is acknowledged of your letter of April 5, 1934,
"addressed to Governor Black, inclosing a tentative draft of the minutes of the meeting of the executive committee of the Federal Open Market Committee held in Washington on April 2, 1934.
"The Board has no suggestions to make with regard to changes in the draft."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. Robert Emerson Minnich, Editor, Federal Bank Service, Prentice-Hall, Inc., New York, New York, reading as follows:

"This is in reply to your letter of March 29, 1934, addressed to the Governor of the Federal Reserve Board, in which you request the Board to define the term 'engaged principally' as used in Section 20 of the Banking Act of 1933, which affects certain relationships between member banks and organizations 'engaged principally in the issue, flotation, underwriting, public sale, or distribution' of securities.

"In the opinion of the Board the term in question must be interpreted with specific reference to the facts of each particular case, and the Board does not believe it would be feasible for it to attempt to prescribe a general definition based on percentages of business transacted or of income received, or on other such factors.

"If a question of this nature arises in a case in which a ruling is deemed necessary, it is suggested that the matter be referred to the Federal Reserve Agent at the Federal Reserve Bank of the district in which the member bank involved is located, accompanied by a full statement of the pertinent facts."

Approved.

Letter dated April 12, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of August 12, 1933, inclosing a copy of a letter from the Girard Trust Company of Philadelphia, dated August 11, 1933, in which the question is presented whether funds deposited by such trust company with another member bank on a time deposit basis may be regarded, after notice of thirty days has been given by the trust company of an intent to withdraw such deposits, as a balance 'due from banks' in computing reserves.

"As you know, Section 19 of the Federal Reserve Act, which prescribes the reserve requirements of member banks of the Federal..."
"Reserve System, provides that 'the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal Reserve banks shall be determined'. It is the opinion of the Federal Reserve Board that an amount which will not become due and payable until a future date is not an amount 'due' within the meaning of this provision; and, accordingly, a deposit which will be due and payable from another bank within thirty days, but has not yet become due, may not properly be classified as an amount due from banks."

Approved.

Memorandum dated April 13, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"For your consideration there is attached a copy of a letter dated April 10 from Mr. L. B. Williams, Federal Reserve Agent at Cleveland, in regard to certain practices of the First National Bank of Cincinnati, Ohio.

"I shall be glad to have any comments or suggestions which you may have to offer that might be communicated to Mr. Williams."

Approved.

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

"Reference is made to Mr. Fletcher's letter of January 29, 1934, regarding the question of policy in connection with the requirements for the charge-off or elimination of depreciation in security holdings of State member banks. The policy which the Board feels desirable in the circumstances is set forth in its letter of April 4, 1934, to Mr. Wood, a copy of which has been sent to you in the form of letter X-7848. The Board concurs in Mr. Fletcher's view that all member banks, both State and National, should be subject to substantially the same requirements in this connection, and the Comptroller of the Currency is being advised of the Board's views for his consideration."

Approved.

Letter dated April 13, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank
of Richmond, reading as follows:

"The Board is in receipt of a letter from the Comptroller of the Currency requesting that an exception be made to the requirements set forth in the Board's letter B-967 of March 23, 1934, in the case of the Industrial Savings Bank of Washington, D. C., in view of the fact that it will not be possible for that bank to continue the acceptance of trusteed or segregated deposits unless the major portion of the proceeds of such deposits can be maintained in a special account in the Federal Reserve Bank. In this connection the Comptroller refers to the requirement of the Bank Conservation Act, that the proceeds of these deposits be kept in a special account in the Federal Reserve Bank, in segregated cash on hand in the bank, or invested in obligations of the United States, and states that in the instant case the Comptroller's office has, with the approval of the Secretary of the Treasury, required that all proceeds of trusteed deposits be maintained in a special account in the Federal Reserve Bank or kept in segregated cash on hand in the conservatorship bank.

"In view of the above and of the fact, stated by the Comptroller, that it is reasonable to presume that the reorganization plan of the Industrial Savings Bank may be consummated within the reasonably near future, the Board will offer no objection to your bank's continuing to carry temporarily a special deposit account for the Industrial Savings Bank of Washington, D. C. Beginning April 14, however, the amount of any such deposits should be reported in 'Other deposits' on your daily balance sheet, Form 34."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Congressman Wesley E. Disney, Washington, D. C. reading as follows:

"This refers to your letter of February 22, 1934, addressed to the Comptroller of the Currency, inclosing a letter received by you from The Bank of Commerce, Claremore, Oklahoma, dated February 19, 1934. Your letter was referred by the Comptroller of the Currency to the Federal Deposit Insurance Corporation and subsequently was referred by that corporation to the Federal Reserve Board for reply.

"From the information submitted, it is understood that the Bank Commissioner of the State of Oklahoma has ordered State banks in that State to discontinue paying interest on balances of secured accounts at a rate in excess of 2%, and that such order does not affect any accounts in The Bank of Commerce except accounts representing Postal Savings funds and Indian funds, with respect to which
"the bank has been paying interest at a rate of $\frac{21}{2}$% per annum. It appears that The Bank of Commerce feels that, as a result of the Bank Commissioner's order, it may lose a large amount of such deposits to other banks which are not subject to the jurisdiction of the State banking department or to the order prohibiting the payment of interest on such secured deposits at a rate in excess of 2%, and it is suggested that the Federal Reserve Board issue an order similar to that promulgated by the Bank Commissioner of Oklahoma.

"In the Federal Reserve Board's Regulation Q, a copy of which is inclosed herewith, it is provided that no member bank shall pay interest accruing after October 31, 1933, on time or savings deposits at a rate in excess of 3% per annum, compounded semiannually, with certain exceptions not here material. The rate prescribed in that regulation was fixed after careful consideration of the many problems involved in the establishment of a uniform rate, and the Board does not feel that the suggested exception to the maximum rate so prescribed in that regulation may properly be made at this time. In this connection, your attention is invited to the fact that Section 759, Chapter 20, Title 39 of the United States Code provides that Postal Savings funds received under the provisions of that chapter shall be deposited with solvent banks and that the funds deposited shall bear interest at a uniform rate of not less than $\frac{3}{2}$ per centum per annum.

"The letter from The Bank of Commerce is returned herewith."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"This refers to the letter dated March 26, 1934, from the Acting Clerk of your Committee requesting a report of the Federal Reserve Board on S. 3134 introduced by Senator Walsh on March 20 (calendar day, March 22), 1934, entitled 'A Bill To amend the Banking Act of 1933'.

"Section 20 of the Banking Act of 1933 prohibits affiliations after June 16, 1934, between a member bank and any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale or distribution of securities. The bill S. 3134 would amend this section so as to provide that in any case in which it shall appear to the satisfaction of the Secretary of the Treasury that, having proceeded diligently, a member bank has been unable to consummate plans in process for the divestment of such affiliation before June 16, 1934, a further period of not exceeding one year shall be
"allowed for such purpose.

"No case has been brought to the attention of the Federal Reserve Board the circumstances of which in the Board's judgment would warrant an extension of the period permitted by existing law for the separation of a member bank from an affiliated securities company and in the circumstances the Federal Reserve Board knows of no sufficient reason why an additional period of time should be allowed for this purpose. If, however, the evidence presented to your Committee with reference to this subject is such that the Committee feels that it is advisable that the period should be extended, it is the view of the Federal Reserve Board that any member bank should be permitted to avail itself of the additional period provided in order that all such banks may be placed upon a basis of equality in respect to this matter and that there may be no discrimination among them. The Federal Reserve Board suggests, therefore, that if your Committee is favorably disposed toward the enactment of a bill for this purpose such bill merely provide that the words 'one year' in the first paragraph of Section 20 of the Banking Act of 1933 be changed to read 'two years'.

"Section 20 also provides that for each violation of the section the member bank involved shall be subject to a penalty not exceeding $1000 per day for each day during which such violation continues, and that such penalty may be assessed by the Federal Reserve Board in its discretion. If the section is amended so as to authorize an extension in any proper case of the period within which a member bank must divorce an affiliate engaged in the business of a securities company, it would seem to be logical and proper that such discretion should be vested in the same supervisory body which is empowered to assess the penalty for a violation of the section. Accordingly, it is the view of the Board that the proposed amendment to vest such discretion in the Secretary of the Treasury, rather than in the Federal Reserve Board, is undesirable, and the Board does not favor its enactment."

Approved.

Letter dated April 13, 1934, approved by five members of the Board, to Mr. W. M. McGregor, President of the First National Bank, Wichita Falls, Texas, reading as follows:

"Receipt is acknowledged of your letter of January 25, 1934, with inclosure, in regard to the question whether the First National Company of Wichita Falls, Texas, an affiliate of The First National Bank of Wichita Falls, is a 'securities company' within the purview of Section 20 of the Banking Act of 1933, which provides in part that after one year from June 16, 1933, no member
"bank shall be affiliated in any manner described in Section 2(b) thereof with any '*** corporation *** engaged principally in the issue, flotation, underwriting, public sale, or distribution *** of stocks, bonds, debentures, notes, or other securities'. In the opinion of counsel for the bank enclosed with your letter, there was raised the additional issue whether the company could be considered as being engaged primarily in the business of 'purchasing, selling or negotiating securities' within the meaning of Section 32 of the Act, which provides in part that from and after January 1, 1934, no officer or director of any member bank shall be an officer, director or manager of any '*** corporation *** engaged primarily in the business of purchasing, selling or negotiating securities ***'.

"From the information submitted it appears that the activities of the First National Company consist principally in its making loans secured by mortgages or deeds of trust on real estate, and in its acting as trustee under deeds of trust on large tracts of land or oil properties. It is understood that the agreements under which the company acts as trustee secure the payment of obligations in the form of notes or bonds, but that such obligations are negotiated before the instruments securing the obligations are executed, and that the company does not participate in the 'issue, flotation, underwriting, public sale, or distribution' of such obligations. Apparently the company merely agrees to make collections of the loans and to distribute the moneys collected to the holders of the various obligations secured by the deeds of trust.

"One of the principal purposes of the Banking Act of 1933 was to effect a separation of commercial and investment banking, and it appears that Sections 20 and 32 of that Act were designed to aid in the accomplishment of this purpose. Although there may be mortgage notes of a kind which should be classified as 'notes or other securities' for the purposes of Section 20, the Federal Reserve Board is of the opinion that mortgage notes arising out of the ordinary type of direct loans on real estate are not 'notes or other securities' within the intendment of Section 20, and that neither such notes nor the mortgages securing the same should be classified as 'stocks, bonds, debentures, notes or other securities' in determining whether an organization engaged in dealing in such obligations comes within the scope of said Section 20. Accordingly, the Board is of the opinion, on the basis of the facts submitted, that the First National Company cannot be considered as engaged principally in the 'issue, flotation, underwriting, public sale or distribution *** of stocks, bonds, debentures, notes or other securities' within the meaning of Section 20.

"Similarly, the Board is of the opinion that neither mortgages nor ordinary mortgage notes are 'securities' within the intendment of Section 32 and that such obligations should not be classified as securities for the purposes of that section. On the basis of the facts submitted, therefore, the Board concurs in the opinion
of your counsel that the First National Company does not come within the purview either of Section 20 or of Section 32 of the Banking Act of 1933.

"The views expressed above should not be construed as an expression of opinion by the Board that mortgage notes and mortgages should not be considered 'stocks, bonds, debentures, notes, or other securities' within the meaning of Section 21(a) of the Banking Act of 1933. Said Section 21 provides a penalty of fine or imprisonment for violation of its provisions and the interpretation of the provisions of that section is a matter entirely within the jurisdiction of the Department of Justice. Since an expression of opinion by the Federal Reserve Board as to what would constitute a violation of that section would not afford protection from criminal prosecution if the Department of Justice, upon consideration of the matter, should take a contrary position and determine to prosecute for a violation thereof, the Federal Reserve Board does not feel that it would be appropriate to undertake to express an opinion on the question whether mortgage notes or mortgages should be considered 'stocks, bonds, debentures, notes, or other securities' within the meaning of that section."

Approved.

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

"A portion of Mr. Sargent's letter of February 21, 1934, was answered by the Board's telegram of March 17, 1934, to Mr. Sargent, calling his attention to the Board's letter of March 12, 1934 (X-7820), as well as to its letter of December 22, 1933 (X-7739). This letter has reference to the remainder of Mr. Sargent's letter of February 21, 1934, which inquired as to the applicability of Section 32 of the Banking Act of 1933 to the service of a director of a national bank as a director of American Brokerage, Inc., San Francisco, California. In his letter Mr. Sargent quoted the following statement regarding that corporation:

'American Brokerage Inc. is an Associate Member of the San Francisco Stock and Curb Exchanges. The company does not carry a position in securities or a portfolio of any kind whatsoever, neither does it permit margin accounts. The company acts exclusively as broker on orders received from clients for the purchase of securities for cash on the Stock Exchange. Its duties therefore are those of an agent acting in accordance with Stock Exchange requirements and the company cannot be regarded as "a dealer in securities".'
"It appears that it is the purpose of Section 32 to restrict relationships between member banks and organizations which are directly interested in issues of securities through underwriting, distributing, or dealing in such issues, because of the possible undesirable effect of such relationships upon the member bank's credit or investment policies or its policies in dealing with its customers. A broker, however, who merely executes orders for the purchase and sale of securities on behalf of others in the open market and who is not engaged in underwriting, distributing, or dealing in securities would not be within the class referred to. Moreover, the words 'purchasing' and 'selling' are words which connote the passing of ownership to or from the person making the purchases or sale.

"Accordingly, Section 32 is not deemed to be applicable to a broker who merely executes, in the open market, orders received from others for the purchase and sale of securities belonging to others and who is not engaged in underwriting, distributing, or dealing in securities. As you know, the Board has decided that the carrying of margin accounts ordinarily involves the making of loans secured by stock or bond collateral within the meaning of Section 84 of the Clayton Act. See the Board's letter of March 27, 1934 (X-7837). However, it appears from the statement quoted above that the company in question does not carry margin accounts."

Approved.

Letter dated April 12, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to Mr. Fletcher's letters of January 9 and January 29, 1934, asking 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. The 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 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.

Letter dated April 12, 1934, approved by five members of the Board, to Mr. John S. Dutton, Long Beach, California, reading as follows:

"Consideration has been given to your application under the Clayton Act for permission to serve at the same time as a director of the First National Bank of Butte, Butte, Montana, as an officer of the Bank of America, N. T. & S. A., and the Bank of America (State bank) both of San Francisco, California.

On the basis of the information before it, the Board is unable to find that it would not be incompatible with the public interest to grant your application since it does not appear that you are discharging the duties and responsibilities of your office as director of the First National Bank of Butte by attending directors' meetings or otherwise. In this connection, your attention is called to Section V (d) (4) of the Board's Regulation L dealing with the provisions of the Clayton Act.

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, such additional facts or arguments should be submitted as promptly as possible, in writing, to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis."

Approved.

Letters dated April 12, 1934, approved by four members of the
Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. J. C. Henley, for permission to serve at the same time as a director of The First National Bank of Tracy City, Tracy City, Tennessee, and as a director and officer of the Coalmont Savings Bank, Coalmont, Tennessee.

Mr. Geo. P. Allen, for permission to serve at the same time as a director and officer of The First National Bank of Bison, Bison, South Dakota, and as a director and officer of the First National Bank in Lemmon, Lemmon, South Dakota.

Mr. Fred L. Lewis, for permission to serve at the same time as a director and officer of the First National Bank in Lemmon, Lemmon, South Dakota, and as a director and officer of The First National Bank of Bison, Bison, South Dakota.

Approved.

Letters dated April 13, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Henry B. Little, for permission to serve at the same time as a director and officer of the First and Ocean National Bank of Newburyport, Newburyport, Massachusetts, and as a director of The First National Bank of Ipswich, Ipswich, Massachusetts.

Mr. N. W. Hoffman, for permission to serve at the same time as an officer of The Moxham National Bank of Johnstown, Johnstown, Pennsylvania, and as a director of The First National Bank of South Fork, South Fork, Pennsylvania.

Mr. H. S. Denniston, for permission to serve at the same time as a director and officer of The American National Bank & Trust Company of Mobile, Mobile, Alabama, and as a director of the Bank of Brewton, Brewton, Alabama.

Mr. Walter H. Honebrink, for permission to serve at the same time as an officer of The First National Bank of Saint Paul, Saint Paul, Minnesota, and as a director of the First State Bank of Saint Paul, Saint Paul, Minnesota.

Mr. O. M. Nelson, for permission to serve at the same time as an officer of The First National Bank of Saint Paul, St.
Paul, Minnesota, and as a director of the First State Bank
of Saint Paul, St. Paul, Minnesota.

Mr. Luther Bonham, for permission to serve at the same time
as a director and officer of The First National Bank of Fair-
bury, Fairbury, Nebraska, as a director and officer of the
Farmers State Bank, Plymouth, Nebraska, and as a director and
officer of the Citizens State Bank, Carleton, Nebraska.

Mr. R. S. Wilfley, for permission to serve at the same time
as an officer of The First National Bank of Fairbury, Fairbury,
Nebraska, and as a director of the Jefferson County Bank,
Daykin, Nebraska.

Mr. H. G. Hawk, for permission to serve at the same time as
a director and officer of the Walton State Bank, Walton,
Kansas, and as a director of The Midland National Bank of
Newton, Newton, Kansas.

Mr. F. R. Kingsley, for permission to serve at the same time
as a director and officer of The Minden Exchange National Bank,
Minden, Nebraska, and as a director and officer of the Norman
Exchange Bank, Norman, Nebraska.

Mr. H. S. Kingsley, for permission to serve at the same time
as a director and officer of the Norman Exchange Bank, Norman,
Nebraska, and as a director of The Minden Exchange National
Bank, Minden, Nebraska.

Mr. E. S. McAnany, for permission to serve at the same time
as a director of The Commercial National Bank of Kansas City,
Kansas City, Kansas, as a director and officer of The Rosedale
State Bank, Kansas City, Kansas, and as a director of The
Shawnee State Savings Bank, Shawnee, Kansas.

Mr. A. G. Sam, for permission to serve at the same time as
a director and officer of The Live Stock National Bank of
Sioux City, Sioux City, Iowa, and as a director and officer of
the Security State Bank, Norfolk, Nebraska.

Mr. J. W. Sponable, for permission to serve at the same time
as a director and officer of The Miami County National Bank of
Paola, Paola, Kansas, as a director and officer of The Farmers
Bank, Gardner, Kansas, and as a director and officer of The
State Bank of Spring Hill, Spring Hill, Kansas.

Mr. M. W. Smith, for permission to serve at the same time
as a director and officer of the Enloe State Bank in Enloe,
Enloe, Texas, and as a director and officer of The Delta National
Bank of Cooper, Texas.
Mr. W. R. Kuppler, for permission to serve at the same time as a director of the First National Bank in Port Angeles, Port Angeles, Washington, as a director of The First American National Bank of Port Townsend, Port Townsend, Washington, and as a director of the Tower Savings Bank, Seattle, Washington.

Mr. Benj. N. Phillips, for permission to serve at the same time as a director and officer of the First National Bank in Port Angeles, Port Angeles, Washington, and as a director and officer of The First American National Bank of Port Townsend, Port Townsend, Washington.

Approved.

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

<table>
<thead>
<tr>
<th>Applications for ORIGINAL Stock:</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>District No. 3.</strong></td>
<td></td>
</tr>
<tr>
<td>The National Bank of Narberth, Narberth, Pennsylvania</td>
<td>36</td>
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<td></td>
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<tr>
<td><strong>District No. 4.</strong></td>
<td></td>
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<tr>
<td>First National Bank in Wampum, Wampum, Pennsylvania</td>
<td>36</td>
</tr>
<tr>
<td>The Hooversville National Bank, Hooversville, Pennsylvania</td>
<td>36</td>
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<td><strong>District No. 6.</strong></td>
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<tr>
<td>First National Bank in De Ridder, De Ridder, Louisiana</td>
<td>36</td>
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<tr>
<td><strong>District No. 7.</strong></td>
<td></td>
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<tr>
<td>First National Bank of Carthage, Carthage, Illinois</td>
<td>36</td>
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<tr>
<td>First National Bank of Goshen, Goshen, Indiana</td>
<td>72</td>
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<tr>
<td>Coldwater National Bank, Coldwater, Michigan</td>
<td>72</td>
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<td></td>
<td>180</td>
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<tr>
<td><strong>District No. 9.</strong></td>
<td></td>
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<tr>
<td>First National Bank in West Concord, West Concord, Minnesota</td>
<td>36</td>
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<td></td>
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</tr>
<tr>
<td><strong>District No. 11.</strong></td>
<td></td>
</tr>
<tr>
<td>Marlin National Bank, Marlin, Texas</td>
<td>132</td>
</tr>
</tbody>
</table>
4/16/34

Applications for ORIGINAL Stock: (Continued) Shares

<table>
<thead>
<tr>
<th>District No. 11. (Continued)</th>
<th>Shares</th>
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<tbody>
<tr>
<td>American National Bank in McLean, McLean, Texas</td>
<td>31</td>
</tr>
<tr>
<td>First National Bank in Dalhart, Dalhart, Texas</td>
<td>36</td>
</tr>
<tr>
<td>Citizens National Bank in Groesbeck, Groesbeck, Texas</td>
<td>32 231</td>
</tr>
</tbody>
</table>

Applications for SURRENDER of Stock:

<table>
<thead>
<tr>
<th>District No. 7.</th>
<th></th>
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<tbody>
<tr>
<td>Dearborn State Bank, Dearborn, Michigan</td>
<td>420</td>
</tr>
<tr>
<td>Guardian Bank of Dearborn, Dearborn, Michigan</td>
<td>420</td>
</tr>
<tr>
<td>Highland Park State Bank, Highland Park, Michigan</td>
<td>1,800 2,640</td>
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<th>District No. 10.</th>
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<tr>
<td>The First National Bank of Silverton, Silverton, Colorado</td>
<td>45 45</td>
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<th>District No. 12.</th>
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<tbody>
<tr>
<td>The Altadena National Bank, Altadena, California</td>
<td>30 30</td>
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</table>

Total: 591

Thereupon the meeting adjourned.

Approved:

Chairman, Executive Committee.

Approved:

Secretary.