

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, May 10, 1934, at 4:00 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor

The Committee considered and acted upon the following matters:

Memorandum dated May 8, 1934, from Mr. Noell, Assistant Secretary, stating that Mr. Mooney, Chief Telegraph Operator, has requested permission to employ a vacation relief operator in the Board's telegraph office during the months of June, July, and August, 1934, with salary at the rate of \$165 a month, and recommending that the request be approved.

Approved.

Telegram dated May 8, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, referring to the application of the "Farmers State Bank", Montague, 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 Farmers State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

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

"Reference is made to the report of examination of the Adrian State Savings Bank, Adrian, Michigan, as of March 12, 1934, and to Mr. Young's letters of April 10, 14 and 16, in connection therewith.

"The bank was not licensed after the national banking holiday, and was reopened on December 9, 1933, under a plan of reorganization which provided for a waiver of 50 per cent of unsecured deposits. The report of examination discloses that the bank is still in an unsatisfactory condition, with a substantial amount of criticised assets and a management regarded as lax and inefficient. Prior to the reopening of the bank, the State Banking Commissioner stipulated that the former president, B. E. Tobias, who had dominated the bank in the past, should have no part in the active management of the reorganized bank and he was, therefore, not continued as an officer or director of the reorganized institution. In January, 1934, however, he was elected a director, and your examiner now reports that B. E. Tobias again appears to dominate the situation, even retaining his old office in the bank. Mr. B. E. Tobias is also one of the trustees in charge of the trust assets, and your examiner reports that Mr. Tobias operates the trust as he sees fit, that his administration of the trust has been anything but satisfactory, and that his salary of \$200 a month as trustee seems to be out of line with the results accomplished.

"The report of examination made by one of your examiners reveals also a complete lack of harmonious cooperation in the bank's staff, with each employee seemingly suspicious of the other. It appears also that Mr. Faulhaber, the former cashier, whose resignation was required on account of irregularities, continued to have a desk in the bank and was permitted free access to the banking quarters where only bank employees should be permitted, and that the State bank examiner was forced to demand that Mr. Faulhaber be denied access to the working quarters of the bank.

"It is noted that the Deputy Commissioner of Banking has recently discussed the situation with several directors of the bank, including B. E. Tobias; that it is proposed to make Assistant Cashier Moore, who recently became associated with the bank and is considered competent, cashier; that the present president of the institution, Mr. Whitney, has given assurances that he realizes his responsibility and that he will not subject himself to the will of Mr. B. E. Tobias; that the Deputy Commissioner of Banking feels certain that the undesirable influence

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"of Mr. B. E. Tobias has now been eliminated, even though he has not actually been removed from the board; and that in view of all of the circumstances it is the feeling of your office that no action be taken at this time under the provisions of Section 30 of the Banking Act of 1933, but that the present management be given an opportunity to show its good faith.

"This situation demands the continued and vigilant attention of the supervising authorities, and it is understood that your office and the State Banking Department are keeping in close touch with the situation. The Board is surprised to learn that Mr. B. E. Tobias, whose elimination from the management was demanded at the time of the reorganization of the bank, is again a dominant factor in the bank's affairs, but notes that your office feels that no action should be taken regarding the management at this time. However, the Board desires to be advised from time to time regarding the progress the bank is making in effecting corrections in its condition and as to whether or not the affairs of the bank are being properly administered. The Board understands that another thorough examination of the bank will be made by one of your examiners sometime before the close of the current year.

"According to the analysis submitted and the recommendation for certification, the bank has capital stock of \$150,000, and a net capital structure of approximately \$140,000 after allowance for the operating deficit and assets classified as loss or doubtful. It is noted, however, that the bank plans to eliminate the Trustees' Liquidating Account of \$23,227, which was not classified as doubtful or loss in the report of examination, through reduction of common capital stock. It is not understood why the Trustees' Liquidating Account, which on the basis of the information submitted is a collectible asset, should be eliminated through a reduction in capital stock unless the entire amount of the proposed reduction of \$50,000 in capital stock must be used for the benefit of the Liquidating Trust, in which event the net amount of the bank's actual capital does not exceed \$100,000. In the circumstances, therefore, it will be appreciated if you will advise the Board as to the plans regarding the proposed reduction of capital stock and whether the funds thus released can be credited to the bank's undivided profits account or must be used for the benefit of the Liquidating Trust.

"The memorandum dated November 13, 1933, submitted with Mr. Young's letter of November 17, 1933, regarding the proposed reorganization and reduction in capital stock stated that the bank building would be reduced from \$80,000 to \$65,000 and that in the near future the account would be further reduced to an amount not exceeding \$50,000. The report of examination, however, shows the building to be carried at \$80,000, which the examiner reports is at least \$40,000 in excess of its true value, although no part of such asset was classified as doubtful or loss, and further advice

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"as to the plans for reducing this asset to a reasonable value will be appreciated.

"On the second page of the examiner's comments in the report of examination it is stated that notes and mortgages accepted in payment of the assessment are carried in the assets of the bank, while the agreement under which the bank was reopened provides that the proceeds of the assessment shall go to the trust. The meaning of the statement in this connection is not quite clear, as according to the reconciliation of the Stockholders Liquidating Account the trust had already been credited with \$101,137.02, the amount of the assessment collected. It will be appreciated if you will clarify this matter and forward a copy of the trust agreement between the bank and the trustees.

"The Board notes the comments of your examiner to the effect that the town of Adrian does not need four banks, that it is possible that a consolidation could be effected between this institution and the Commercial Savings Bank, and that one of the executive officers of the latter had stated that they would take over the deposit liability of the Adrian State Savings Bank provided the equivalent assets were acceptable, and it is understood that consideration is being given to the possibilities of strengthening the banking situation in Adrian through merger."

Approved.

Telegram dated May 8, 1934, approved by six members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Refer your wire May 5. Board grants extension of time to May 15, 1934 within which 'The First State Bank', Ness City, Kansas may accomplish its membership."

Approved.

Letter dated May 8, 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 the report of credit investigation of the Empire Trust Company, St. Joseph, Missouri, as of January 25, 1934, and the information submitted in connection therewith.

"The conditions of membership under which the bank was admitted to membership provided that its capital stock should not be reduced except with the permission of the Federal Reserve

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"Board. It is understood that in order to provide for the elimination of estimated losses and depreciation in securities, the bank contemplated a revision of its capital structure through the sale of \$100,000 preferred stock to the Reconstruction Finance Corporation and the reduction of a like amount in its common stock. If the proposed reduction in common stock has not already been effected, you are requested to call this condition to the attention of the bank and transmit to the Board the request of the bank for permission to reduce its capital stock, together with pertinent details of the plan and your recommendation in the matter. In the event that the proposed reduction in common capital stock has already been effected, please furnish an explanation of the bank's failure to request the Board's permission to make the reduction and your recommendation as to the action, if any, which should be taken in the circumstances, and also advice as to whether your Counsel is satisfied as to the legal aspects of the transaction and whether the transaction has been approved by the appropriate State authorities. Please forward, also, copies of any amendments to the articles of incorporation of the bank in connection with the changes in its capital structure.

"Neither the report of credit investigation nor the analysis of the report indicate that an examination was made of the trust department. Whenever possible examinations for the purpose of certification should include an examination of the trust department. If, for any reason, it is impracticable to examine such department at the time of the examination of the other departments, the report of examination should be accompanied by a copy of the report of the latest available examination of the trust department supplemented by such additional information as may be available, and you are requested to forward such information in this case.

"It will be appreciated, also, if you will advise the Board as to the corrections made by the bank following the examination.

"The report of examination lists real estate loans amounting to \$229,800 sold by the bank without recourse. The Board's records do not indicate that the bank was engaged in such business when it was admitted to membership in 1925. As indicated by standard condition of membership numbered 12 now being prescribed, the Board does not look with favor upon banks engaging in the business of selling loans, either with or without recourse, and you are requested to acquaint the bank with the Board's views in the matter and suggest as a matter of sound banking policy that the bank discontinue the practice.

"It is noted that an incorrect report of the affiliated Empire Safe Deposit Company, as of December 30, 1933, was submitted to the Board, and it will be appreciated if you will advise the Board as to the nature of the bank's reply to your letter of March 5, 1934, in this connection and as to the circumstances in the case."

Approved.

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Letter dated May 9, 1934, approved by six 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 April 30, 1934, transmitting the request of the State Bank of Wheatland, Wheatland, Wyoming, for permission to invest approximately \$16,000 in a building to be used as banking quarters.

"In view of your recommendation and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to such investment in an amount not to exceed \$16,000, and it is requested that you advise the bank accordingly.

"It is suggested that you acquaint the bank with the Board's views which are known to your office with respect to making adequate provision for depreciation in banking quarters owned."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Pascagoula National Bank of Moss Point', Moss Point, Mississippi, from \$75,000 to \$45,000, pursuant to a plan which provides that the bank's capital shall be increased by \$75,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate a corresponding amount of substandard assets and securities depreciation, all as set forth in your letter of May 1, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected it has been noted that, on the basis of the last report of examination, this institution was in an extended and frozen condition, and that there will remain in the bank after the proposed eliminations are consummated, securities depreciation amounting to approximately \$78,000 which, if considered a loss, will impair the bank's capital to the extent of approximately \$62,000. It is assumed, however, that you have these conditions in mind and that whenever it becomes feasible to do so you will require such further corrections as may be practicable."

Approved.

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Letter dated May 9, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Lumbermen's National Bank of Menominee', Menominee, Michigan, from \$100,000 to \$75,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a portion of the bank's surplus and/or undivided profits, shall be used to eliminate unsatisfactory assets aggregating approximately \$60,000, all as set forth in your memorandum of May 1, 1934.

"In considering the plan under which the proposed reduction in common capital is to be effected, it was noted that the securities depreciation remaining in the bank's assets, if considered as a loss, would impair its capital to the extent of approximately \$12,700. It is assumed, however, that you have this condition in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated May 8, 1934, approved by six members of the Board, to the chairmen of all Federal reserve banks, reading as follows:

"In its letter of April 30, 1934 (X-7878), the Board inclosed, for your confidential information only, a copy of a letter which it had addressed to the Comptroller of the Currency in response to a request from him for rules which might be given to examiners as a guide to them in determining whether banks are complying with the requirement of Regulation Q that savings deposits consist of funds accumulated for bona fide thrift purposes. As stated in the letter of transmittal, the copy of the letter to the Comptroller was submitted to the Federal reserve bank as an aid to it in the performance of its duties in connection with examinations of member banks.

"In view of the fact that repeated requests have been made to the Board for a statement as to the practical interpretation to be placed upon the phrase 'funds accumulated for bona fide thrift purposes', and, in order to be as helpful as may be possible to the member banks, it is believed that certain of the principles set forth in the Board's letter to the Comptroller

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"should be made available to such banks to assist them in classifying deposits which may constitute savings deposits. Accordingly, there is inclosed herewith a statement in regard to the classification of deposits as savings deposits within the meaning of Regulation Q, and the views expressed in the inclosed statement may be communicated to member banks and to others in such manner as may appear to be desirable.

"Except to the extent indicated by the inclosed statement, it is not intended that the views expressed by the Board in its letter to the Comptroller (X-7878-a) should be communicated to member banks or to others."

Approved.

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

"This refers to the letter from the Acting Clerk of your Committee, dated March 21, 1934, inclosing a copy of S. 3100, entitled 'A Bill To amend section 33 of an Act to provide for the safer and more effective use of the assets of banks, to regulate inter-bank control, to prevent the undue diversion of funds into speculative operations, and for other purposes', and requesting a report thereon.

"Section 33 of the Banking Act of 1933 amended the Clayton Antitrust Act by adding after section 8 thereof a new section, designated section 8A, which forbids any director, officer, or employee of any bank, banking association, or trust company, 'organized or operating under the laws of the United States', to be at the same time a director, officer, or employee of a corporation (other than a mutual savings bank) or a member of a partnership 'organized for any purpose whatsoever' which shall make loans secured by stock or bond collateral to any individual, association, partnership, or corporation other than its own subsidiaries.

"While the purposes of this section are not entirely clear, it is believed that they are generally to prevent an undue use of credit for speculative purposes and to supplement other provisions of the Banking Act of 1933 which were designed to discourage corporations engaged in commerce or industry from making loans to brokers or dealers in stocks and bonds, i.e., the so-called 'brokers loans for others'. It seeks to accomplish these objects by preventing individuals associated with organizations which make loans on the security of stock or bond collateral from serving at the same time as directors, officers, or employees of banks organized or operating under the laws of the

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"Unites States.

"It is not believed that this section was actually intended to prevent the same person from serving as director, officer or employee of two or more banks; but the conclusion that it has that effect seems inescapable, because banks clearly are included in the broad term 'corporation * * * organized for any purpose whatsoever' and also because the specific exception of mutual savings banks indicates that all other banks which make loans on stock or bond collateral are included. It is believed, therefore, that the amendment contained in the bill, S. 3100, which would broaden the exception so as to apply to all banks instead of mutual savings banks alone, is in harmony with the real purposes of the section and should be adopted. It is believed, however, that certain other amendments to this section should also be adopted.

"Because of the very comprehensive language employed, and especially the words 'corporation * * * organized for any purpose whatsoever', section 8A has been found to apply to certain other types of situations which are not believed to be within the purpose of the statute; and there is respectfully submitted herewith for the consideration of your Committee a draft of a bill to amend said section 8A which has received the careful consideration of the Board and which it is believed will meet the principal objections to that section without affecting the accomplishment of its primary purposes.

"Numerous member banks have suffered the loss of some of their most valuable directors and are threatened with the loss of others solely because such directors are officers or directors of corporations which occasionally make loans on stock or bond collateral to their own officers and employees or because they are officers or directors of corporations engaged primarily in an agricultural, industrial, or commercial business which occasionally make such loans to their own customers as an incident to their principal business; and it is felt that the statute should be made inapplicable to such situations.

"Section 8A as originally enacted in section 33 of the Banking Act of 1933 specifically excepts from its operation corporations and partnerships which make loans on stock or bond collateral only to their own subsidiaries; and it is the view of the Board that this exception should be extended to include those which make such loans only to their own officers and employees. Many corporations make loans to their own officers and employees on their own stock for the purpose of enabling such officers and employees to become stockholders of the corporations and others sometimes make loans to their own officers or employees on stock or bond collateral in order to assist them when they are in financial difficulties. Obviously, such loans are not within the intent of the statute, although they are clearly within the language thereof.

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"Numerous cases have come to the Board's attention in which corporations and partnerships engaged primarily in industrial, commercial, or agricultural business sometimes make loans to their own customers on the security of stocks or bonds as an incident to their principal business; and it is believed that such loans are not within the intent of the statute if they are not made for the purpose of enabling such customers to purchase or trade in stocks or bonds.

"The amendments contained in the inclosed draft of a bill to amend section 8A have been drawn with a view of making exceptions covering these classes of cases and at the same time to guard carefully against any evasion of the true purposes of the law. In this connection, attention is invited to the proviso which prevents the exceptions from applying in the case of corporations or partnerships which make loans to brokers or dealers in stocks or bonds or which make loans to finance the purchase or sale of, or trading in, stocks or bonds other than loans to their own officers and employees for the purpose of enabling them to buy stock in such corporations.

"Attention is also invited to the fact that, under date of September 10, 1917, the Acting Attorney General of the United States rendered an opinion with respect to section 8 of the Clayton Antitrust Act in which he held that the phrase 'organized or operating under the laws of the United States' does not include State banks which are members of the Federal Reserve System. The reasoning of the opinion is equally applicable to the same phrase as used in section 8A of the Clayton Act; and, therefore, the Board has ruled that section 8A does not forbid interlocking relationships between State member banks and corporations or partnerships which may make loans on the security of stock or bond collateral. It is believed that the purposes of section 8A will be accomplished more effectively if its provisions are made applicable to State banks which are members of the Federal Reserve System as well as to national banking associations; and the inclosed draft of a bill would place national banks and State member banks on the same basis in this respect by striking out the words 'any bank, banking association or trust company organized or operating under the laws of the United States' and substituting the words 'any member bank of the Federal Reserve System'. Incidentally, this change would make the section inapplicable to Federal Reserve Banks, Federal Land Banks, Federal Intermediate Credit Banks, Federal Home Loan Banks and similar institutions, which are not believed to be within the intent of the section.

"For the reasons stated above and in view of the fact that the existing provisions of law became effective on January 1, 1934, the Federal Reserve Board recommends the enactment of the inclosed bill at the earliest practicable date. In this connection, it should be noted that the inclosed bill would

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"fully accomplish the purpose of S. 3100 to make section 8A inapplicable to interlocking relationships between banking institutions; and, therefore, it could appropriately be substituted for S. 3100."

Approved.

Letter dated May 8, 1934, approved by six members of the Board, to Mr. J. W. Rixey Smith, Secretary to Honorable Carter Glass, United States Senator, Washington, D. C., reading as follows:

"Reference is made to the letter addressed to you by Mr. H. Laurie Smith on March 14, 1934, and previous correspondence, which you referred to the Federal Reserve Board, with regard to the writing of title insurance or other forms of guaranty contracts by member banks. It is understood that Mr. Laurie Smith has reference to State banks admitted to membership in the Federal Reserve System, since national banks are not authorized to engage in business of this kind.

"Mr. Laurie Smith's first inquiry is with regard to whether member banks which are authorized to write title insurance or other forms of guaranty contracts will be permitted to continue to do so. Under the provisions of the Federal Reserve Act, a State bank admitted to membership in the Federal Reserve System may continue to exercise the corporate powers granted by the State laws under which it was organized unless at the time of admission to membership the bank, as a condition of membership, agrees not to exercise such powers. Accordingly, a State bank exercising the right to write title insurance or other forms of guaranty contracts at the time of its admission to membership in the Federal Reserve System and which did not at that time agree to terminate the exercise of such powers may under the law continue to exercise these powers. However, it has been the Board's practice for some time to require that banks having the right to write title insurance or other forms of guaranty contracts and applying for membership in the Federal Reserve System shall agree that such powers will not be exercised while the bank remains a member of the System. The Board does not feel that the writing of title insurance and other forms of guaranty contracts are appropriate functions for depository banking institutions and, accordingly, banks admitted to membership which have agreed as a condition of membership not to exercise these powers are not permitted to do so by the Board.

"Mr. Laurie Smith's last two inquiries are with regard to whether member banks which write title insurance or other forms of guaranty contracts are required to disclose in their published statements the amount of their contingent liability under such

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"insurance or guaranty contracts in force. The Board feels that the reports and published statements of member banks should reflect the true condition of the institutions, and it is the Board's practice to require that reports of State member banks which are required under the law to be made to the Federal reserve banks shall disclose all contingent liabilities as well as all direct liabilities of the member banks. Under this requirement any contingent liability of a State member bank on account of title insurance or other forms of guaranty contracts should be shown in reports of condition made to the Federal reserve banks. Under the present law, however, such reports are not required to be published and the Board has no authority to require their publication. The form in which member banks publish reports of condition required by State law is controlled by State authorities.

"It is not the general practice of banks to show contingent liabilities in their published reports of condition; but the Board will give careful consideration to this question if the law is amended so as to require State member banks to publish the reports of condition rendered pursuant to the provisions of the Federal Reserve Act.

"In this connection, your attention is called to the fact that upon the recommendation of the Federal Reserve Board a bill (S. 2870) has been introduced in Congress which would amend Section 9 of the Federal Reserve Act so as to authorize the Federal Reserve Board to prescribe regulations covering the publication of reports of condition of State member banks. This bill, as you know, was passed by the Senate on March 28, 1934, and on April 5, 1934, was referred to the Committee on Banking and Currency of the House of Representatives. It is understood that that Committee has not yet reported on the bill."

Approved.

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

"The Federal Reserve Board has under consideration the application under Section 32 of the Banking Act of 1933 made by Robert A. Drysdale for a permit to serve at the same time as a director of the Corn Exchange Bank Trust Company of New York, New York, as a director of the Montclair Trust Company of Montclair, New Jersey, and as a partner of Drysdale and Company of New York, New York.

"In a rider attached to form 99a, the applicant states:

'My firm is engaged primarily in the business of

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"buying and selling securities for others as stock brokers on a commission basis; but it also buys and sells securities for itself and for its members, which latter business I estimate at not more than five per cent of the entire business of the firm."

"In view of the principles stated in the Board's letter of April 13, 1934 (X-7860) it would seem that the firm of Drysdale and Company should not be regarded as engaged primarily in the business of purchasing, selling, or negotiating securities within the meaning of Section 32, and that therefore a permit covering the relationship described in this application is not necessary. Accordingly, unless there are other facts which you believe should be called to the attention of the Board, it is suggested that you so advise the applicant."

Approved.

Letter dated May 8, 1934, prepared in accordance with the action taken at the meetings on April 23 and May 3, 1934, and approved by six 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 the applications of the following named persons, under Section 32 of the Banking Act of 1933, to serve at the same time as directors of the Discount Corporation of New York and as officers and/or directors of the banks mentioned opposite their names:

S. Sloan Colt	Bankers Trust Company, The National Bank of Tuxedo,	New York City. Tuxedo, New York.
James H. Perkins	The National City Bank of New York,	New York City.
Winthrop W. Aldrich	The Chase National Bank of the City of New York,	New York City.
Dunham B. Sherer	Corn Exchange Bank Trust Company,	New York City.
William C. Potter	Guaranty Trust Company of New York,	New York City
W. S. Gray, Jr.	Central Hanover Bank and Trust Company,	New York City
Gordon S. Rentschler	The National City Bank of New York,	New York City.

"The Board reached the conclusion that, although the relationships involved in these applications are included within

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"the literal terms of Section 32, they are actually of a kind different from those at which its provisions were directed and has, therefore, granted all these applications since no other facts appeared which in its judgment would make it incompatible with the public interest to do so.

"As you know, all permits issued pursuant to the provisions of Section 32 are subject to revocation by the Board whenever it finds, after reasonable notice and opportunity to be heard, that the public interest requires such revocation.

"The Board feels that dealings in excess reserves or 'Federal funds' raise questions of considerable importance and may, under some conditions, affect the credit operations of the Federal reserve banks and thus become an element in their problems of credit policy and control, more particularly when such dealings involve transfers from one Federal reserve district to another.

"It is the understanding of the Board that the Discount Corporation, as a matter of policy, confines its dealings in Federal funds to the Federal reserve district in which it is located, neither buying from nor selling to banks or other organizations outside of that district. This has been a material fact influencing the decision of the Board that it would not now withhold its approval of the above listed applications because of the dealings of the Discount Corporation in excess reserves. Accordingly, the Discount Corporation is being requested to advise you in case there should be any change in its general policy with respect to such dealings, and it will be appreciated if you will keep yourself informed regarding the matter in order that you may advise the Board.

"You will, of course, also understand that the Board's action in the present case cannot be regarded as a precedent even with respect to an organization engaged in a business similar to that of the Discount Corporation, since in such a case it might appear that the organization in question was conducting its affairs in such a manner, or was engaged in practices which, in the judgment of the Board, would make it incompatible with the public interest to grant applications involving it.

"From the information submitted, it appears that Discount Corporation of New York is a dealer in securities within the meaning of Section 32 and the Board's Regulation R, and that each of the New York City banks named in the first paragraph of this letter is regularly associated with the corporation in the purchasing and selling of securities, since each regularly buys from and sells to the corporation obligations of the United States, and since each regularly makes loans to the corporation, the proceeds of which are used by it in part at least to purchase such securities.

"In view of these facts, the Board is of the opinion that each such bank is a 'correspondent bank' of the corporation

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"within the meaning of Section 32 and the Board's Regulation R and that permits covering such relationships are therefore necessary. The Board is prepared to consider the application of each bank involved upon submission to it of F.R.B. Forms 99e and 99d only, accompanied by a statement of the applicant specifying the functions as to which a permit is desired. You are requested so to advise each of the banks involved.

"Moreover, on the basis of the information submitted, the Board is of the opinion that the corporation, by rediscounting bankers' acceptances for the New York City banks named in the first paragraph of this letter and by buying from and selling to them Federal funds, thereby in part effecting its primary purpose of equalizing reserves, is a 'correspondent dealer' of each of said banks within the meaning of Section 32 and of the Board's Regulation R and that permits covering such relationships are therefore necessary. The Board is prepared to consider applications of the corporation to act as a correspondent dealer on behalf of each of said banks upon submission to it of Federal Reserve Board Forms 99f and 99d accompanied by the corporation's statement specifying the functions as to which a permit is desired. You are requested so to advise the corporation."

Approved, together with letters dated May 8, 1934, also approved by six members of the Board (the letter to Mr. Colt was approved by five members) to the applicants referred to in the letter to Mr. Case, advising of approval of their applications.

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

"The Federal Reserve Board has given consideration to the application of Bradford H. Walker under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as director of First and Merchants National Bank of Richmond, Richmond, Virginia, and as director of John G. Walker Investment Corporation, Richmond, Virginia.

"In his application Mr. Walker describes the business of John G. Walker Investment Corporation as follows:

'No business other than holding stock in one company, any dividends received therefrom being immediately disbursed'.

"The statement of condition of the investment corporation appearing on Form 99c discloses that the assets of the corporation consist solely of \$20,474.52 cash in banks, and \$7,500,000 of stock of The Life Insurance Company of Virginia.

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"It appears from the above information that John G. Walker Investment Corporation is engaged solely in holding securities, and therefore is not primarily engaged in purchasing, selling or negotiating securities. Accordingly, Section 32 of the Banking Act of 1933 is deemed to be inapplicable to the applicant's service to these two corporations. It will be appreciated if you will so advise the applicant.

"It is noted that in reply to Question No. 5 on Form 99a, the applicant states that he is also serving as vice-president and director of Dominion Securities Corporation, which is stated to be an 'investment trust'. It is assumed you have in mind the possibility that the provisions of Section 32 may be applicable in connection with his service to this corporation also."

Approved.

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

"The Federal Reserve Board has given consideration to the application of Waller C. Hardy under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a vice-president and director of the Kanawha Valley Bank, Charleston, West Virginia, as vice-president and director of the Greenbrier Valley Bank, Lewisburg, West Virginia, and as partner of Winthrop, Mitchell & Company, New York, New York.

"In answer to Question 2 of Form 99-a the applicant states that the business of Winthrop, Mitchell & Company is as follows: 'Commission broker, handling stocks and commodities on a purely commission basis. Does not engage in underwriting flotations or the operation of pools.' However, it is not entirely clear, from the above statement, whether Winthrop, Mitchell & Company purchases and sells securities as a dealer or whether it confines its business exclusively to purchasing and selling securities as a broker.

"In a letter dated April 13, 1934 (X-7860), the Board ruled that the provisions of Section 32 are not applicable to a broker who merely executes orders for the purchase and sale of securities on behalf of others on the open market. Accordingly, it will be appreciated if you will ascertain whether or not Winthrop, Mitchell & Company transacts only business of that type. If you find that such is the fact, please inform the applicant that the provisions of Section 32 are inapplicable to the relationship covered by his application, and advise the Board."

Approved.

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Letters dated May 8, 1934, approved by six members of the Board, to the following applicants for permits under section 32 of the Banking Act of 1933; each letter stating that it appears that the relationship covered by the application is within the class which section 32 was designed to terminate, and that, accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant the application, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. John M. Schiff, for permission to serve at the same time as a director of the Chemical Bank & Trust Company and as a partner of Kuhn, Loeb & Co., both of New York, New York.

Mr. Felix M. Warburg, for permission to serve at the same time as a director of the Bank of the Manhattan Company and as a partner of Kuhn, Loeb & Co., both of New York, New York.

Approved.

Letter dated May 8, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that the Board has given consideration to the application of Mr. Grant McPherrin, Des Moines, Iowa, for permission under the provisions of the Clayton Act to serve at the same time as an officer and director of the First Federal State Bank, Des Moines, Iowa, and as an officer and director of the Central National Bank and Trust Company of Des Moines, Des Moines, Iowa, and that, upon the basis of the information before it, the Board feels that the issuance of the permit applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicant the Board's position

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in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Approved.

Letters dated May 9, 1934, approved by six members of the Board, to the respective Federal reserve agents stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, the Board feels that the issuance of the permit applied for in each case would be incompatible with the public interest. Each letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Mr. Joseph M. Forsythe, for permission to serve at the same time as a director of The Sherburne National Bank, Sherburne, New York, and as a director of The National Bank and Trust Company of Norwich, Norwich, New York.

Mr. Chas. H. Loucks, for permission to serve at the same time as a director and officer of the First National Bank of Scottdale, Scottdale, Pennsylvania, and as a director and officer of The National Bank and Trust Company of Connellsville, Connellsville, Pennsylvania.

Mr. S. E. Bradt, for permission to serve at the same time as a director of the First National Bank in De Kalb, De Kalb, Illinois, and as a director of the Genoa State Bank, Genoa, Illinois.

Mr. E. P. Ellwood, for permission to serve at the same time as an officer and director of the First National Bank in De Kalb, De Kalb, Illinois, as a director of the Genoa State Bank, Genoa, Illinois, and as a director of The Citizens National Bank of Lubbock, Lubbock, Texas.

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Mr. George H. Hanson, for permission to serve at the same time as a director and officer of The First National Bank of Odebolt, Odebolt, Iowa, and as a director and officer of the Kiron State Bank, Kiron, Iowa.

Mr. Charles N. Stevens, for permission to serve at the same time as an officer and director of the First National Bank and Trust Company of Evanston, Evanston, Illinois, and as a director of the Wilmette State Bank, Wilmette, Illinois.

Approved.

Letter dated May 9, 1934, approved by six members of the Board, to the following applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. H. Chester Story, for permission to serve at the same time as a director and officer of The Rockport National Bank, Rockport, Massachusetts, and as a director of the Day Trust Company, Boston, Massachusetts.

Approved.

In connection with the above there was presented a letter, also dated May 9, 1934, and approved by six members of the Board, to Mr. H. Chester Story, Boston, Massachusetts, referring to his application under section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of The Rockport National Bank, Rockport, Massachusetts, and as a partner of R. L. Day & Company, Boston, Massachusetts, and stating that it appears that the relationship covered by the application is within the class which section 32 was designed to terminate, and that, accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant the application, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration.

Approved.

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

Mr. George F. Trotter, for permission to serve at the same time as a director and officer of The Western National Bank of Pueblo, Pueblo, Colorado, and as a director and officer of The American National Bank of Alamosa, Alamosa, Colorado.

Approved.

Letters dated May 9, 1934, approved by six members of the Board, to the following applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Edwin W. Levering, Jr., for permission to serve at the same time as a director of The First National Bank of Baltimore, Baltimore, Maryland, and as a director of the Mercantile Trust Company of Baltimore, Baltimore, Maryland.

Mr. L. G. Hardman, for permission to serve at the same time as a director and officer of the Northeastern Banking Company, Commerce, Georgia, and as a director of The First National Bank of Commerce, Commerce, Georgia.

Mr. William W. Buchanan, for permission to serve at the same time as a director and officer of the First National Bank and Trust Company of Evanston, Evanston, Illinois, and as a director of the Wilmette State Bank, Wilmette, Illinois.

Mr. Paul A. Nehring, for permission to serve at the same time as a director and officer of the First National Bank in De Kalb, De Kalb, Illinois, and as a director and officer of the Genoa State Bank, Genoa, Illinois.

Mr. Michael B. Wells, for permission to serve at the same time as a director and officer of the Marine National Exchange Bank of Milwaukee, Milwaukee, Wisconsin, and as a director and officer of the Home Savings Bank, Milwaukee, Wisconsin.

Mr. Edward H. Williams, for permission to serve at the same time as a director and officer of the Marine National Exchange Bank of Milwaukee, Milwaukee, Wisconsin, and as a director and officer of the Holton Street State Bank, Milwaukee, Wisconsin.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u> Peoples National Bank of Secaucus, Secaucus, New Jersey	72	72
<u>District No. 3.</u> The National Bank of Ocean City, Ocean City, New Jersey	36	36
<u>District No. 4.</u> The Citizens National Bank in West Milton, West Milton, Ohio	36	36
<u>District No. 7.</u> First National Bank in Tigerton, Tigerton, Wisconsin	36	36
<u>District No. 10.</u> First National Bank in Goodland, Goodland, Kansas	36	36
	<u>36</u>	<u>36</u>
	Total	216
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u> The Richmond National Bank of New York, Richmond Hill, New York, N. Y.	339	
South Side National Bank of Elmira, Elmira, New York	<u>66</u>	405
<u>District No. 3.</u> The First National Bank of Shenandoah, Shenandoah, Pa.	240	240
<u>District No. 4.</u> The Blairsville National Bank, Blairsville, Pa.	120	
National Bank of Ellsworth, Ellsworth, Pa.	<u>75</u>	195
<u>District No. 7.</u> The First National Bank of Tigerton, Tigerton, Wisconsin	32	32
<u>District No. 9.</u> The First National Bank of St. Charles, St. Charles, Minn.	30	30

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<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 12.</u>		
The Oilfields National Bank of Brea, Brea, California	52	
The First National Bank of Condon, Condon, Oregon	60	112
	<u>Total</u>	<u>1,014</u>

Approved.

Thereupon the meeting adjourned.

Chester Maurice
Secretary.

Approved:

ER Black
Governor.