

A meeting of the Federal Reserve Board was held in Washington on Tuesday, May 29, 1934, at 3:00 p. m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Wingfield, Assistant Counsel
Mr. Leonard, Federal Reserve Examiner

ALSO PRESENT: Mr. J. H. Case, Federal Reserve Agent
at the Federal Reserve Bank of
New York

Governor Black stated that in accordance with the Board's request, Mr. Case had come to Washington today and had brought with him the report of examination of the City Bank Farmers Trust Company made by state examiners as of March 31, 1934, and participated in by an examiner from the Federal Reserve Bank of New York, and that the report had been reviewed by Mr. Leonard with Mr. Case this morning. The Governor then asked Mr. Leonard to outline for the Board the information contained in the report with regard to the condition of the trust company and the character of its business.

Mr. Leonard stated that on the date of the examination the trust company itself was in a strong asset position, with its capital and surplus of \$10,000,000 each intact, and that the report indicates that after the company had provided for all losses and doubtful assets it would have undivided profits and reserves of approximately \$1,800,000.

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The report discloses, Mr. Leonard stated, that of the \$41,000,000 of deposits held by the trust company, \$35,000,000 are held in a fiduciary capacity and only approximately \$1,700,000 are commercial deposits, and that loans, exclusive of \$5,619,000 real estate loans, amount to \$12,975,000. Of these, approximately \$6,000,000 are reported to be secured by readily marketable collateral and \$5,600,000 to be unsecured. Except for loans amounting to approximately \$4,200,000 which are not listed in the report of examination and are apparently secured by readily marketable collateral, and a \$2,000,000 loan secured by a pledge of a \$2,500,000 deposit, the loans consist largely of capital loans pending permanent financing, and loans to bondholders' protective committees, to realty companies whose securities are held by the bank or by trusts, and to a subsidiary and to an estate. The loans include two which were transferred to the trust company by the National City Bank after the loans had been criticized in a report of examination of the national bank. According to the report of examination, it is the practice for all commercial loans of the trust company to be made for it by the National City Bank, with authority in the vice president of the trust company to accept or reject the loans within 24 hours, his decisions being ratified by the Executive Committee.

Mr. Leonard also reported that the examiner for the Federal reserve bank states that the affairs of the trust company appear to be exceptionally well regulated, that the capital is adequate, that the directors are reasonably attentive to the affairs of the trust

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company, and that the management is capable and conscientious. Mr. Leonard quoted the examiner for the Federal reserve bank as stating that while he did not have an opportunity to make a detailed investigation of individual trusts, he was favorably impressed with the investment policies of the trust company and the procedure followed in the supervision of the trusts.

Mr. Leonard referred briefly to the plans of uniform trusts used by the trust company, and stated that approximately \$18,000,000 was invested in the four uniform trusts. Reference was also made to the distribution of the personal trust accounts, which showed that the largest group, both in number and in amount, consisted of living trusts, the total of such funds amounting to \$728,000,000 distributed in 3,181 accounts.

Other matters referred to in the report of examination, and with regard to the character of the business of the Farmers Loan and Trust Company at the time it became affiliated with the National City Bank in 1929, were commented upon by Mr. Leonard.

Mr. Case stated that the City Bank Farmers Trust Company (formerly the Farmers Loan and Trust Company) is the oldest trust company in the United States, that he came into close contact with the management in 1902, and that, in 1912 he was made Vice President of the trust company, which office he retained until 1917 when he left to take a position with the Federal Reserve Bank of New York. He said that the old Farmers Loan and Trust Company had always been a concern of the highest type and had always had an excellent reputation; that,

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while he felt that the affiliation with the National City Bank had not been to the advantage of the trust company, it was his opinion that the present management of the company is able, conscientious and honest; and that he would recommend that, if an application is filed with the Board, the trust company be admitted to membership. He also said that he felt sure that, because of the existing situation, the trust company would be willing to accept the standard conditions of membership and discontinue any practices which are not in accordance therewith.

There followed a detailed discussion of the character of business of the trust company, during which the question was raised as to whether, in view of the affiliation between the trust company and the National City Bank of New York when considered in the light of the provisions of section 5139 of the Revised Statutes, the company should be admitted to membership. Upon inquiry, Mr. Wyatt stated that he knew of no provision of law which would be violated if the trust company were admitted to membership in the Federal Reserve System, but that the purpose of section 5139 was to divorce member banks from affiliated institutions which do not carry on the kind of business conducted by member banks (other than corporations holding the bank's premises), and that, as the City Bank Farmers Trust Company transacts practically no business except a trust business and some business incidental to the trust business, it might be said that it would not be entirely consistent with the purposes of section 5139 to admit the company to membership.

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Toward the end of the discussion Mr. Case withdrew from the meeting, but before leaving stated that he hoped to submit to the Board, in the near future, recommendations for enlarging the official staff of the Federal Reserve Agent's Department at the Federal Reserve Bank of New York.

At the close of the discussion, Mr. Hamlin moved that the City Bank Farmers Trust Company be advised, through the Federal Reserve Agent at New York, that the Board is of the opinion that the corporate powers exercised by the trust company are not consistent with the purposes of the Federal Reserve Act, and for that reason under the existing circumstances the Board is not willing to admit the trust company to membership in the Federal Reserve System.

Carried, Governor Black and Mr. Thomas voting "no".

There were then presented drafts of letters to Senator Fletcher and Congressman Steagall, Chairmen of the Banking and Currency Committees of the Senate and House of Representatives, respectively, which had been previously circulated among the members of the Board and which read as follows:

"The inflexibility of the provisions of the last two paragraphs of section 19 of the Federal Reserve Act, which relate to the payment of interest on deposits, in a number of instances has caused hardships to member banks and to their depositors and has given rise to numerous difficulties in administration. In view of the undesirable situations created thereby, it is believed that these paragraphs should be amended in such respects as may be necessary to eliminate the objectionable features, and there is submitted herewith for the consideration of your Committee a draft of a bill which it is believed will accomplish the end desired and at the same time will serve to further the purposes of the present law. There is also inclosed a draft of a revision of the last two paragraphs of section 19, which shows the textual changes which would be made by the bill if enacted.

"In order that the provisions of the last two paragraphs of

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"section 19 may be sufficiently adaptable to meet the requirements of actual conditions, it is believed that it is desirable to vest in the Board specific authority to define, for the purposes of such paragraphs, the terms 'time deposits', 'savings deposits', and 'deposits payable on demand'. In addition, it is believed that the Board should be expressly authorized to prescribe such rules and regulations as may be necessary to effectuate the purposes of the paragraphs and to prevent evasions thereof. The bill submitted herewith contains amendments for such purposes.

"The rates of interest customarily paid on deposits by foreign banking institutions are often in excess of the rates which may lawfully be paid by member banks of the Federal Reserve System on the same kinds of deposits, and, as a result thereof, branches of member banks operated in places outside of the United States may lose substantial amounts of deposits unless they are permitted to meet competition by paying interest at a rate equal to that currently paid by competing foreign banking institutions. In view of such circumstances, it is the opinion of the Board that the last two paragraphs of section 19 should be amended so as to except deposits payable only at an office of a member bank located outside of the States of the United States and of the District of Columbia from the prohibition upon the payment of interest on deposits payable on demand and from the provisions relating to the payment of interest on time and savings deposits. The inclosed bill would accomplish this purpose.

"You will observe that the bill would also except from the prohibition upon the payment of interest on deposits payable on demand any deposit of trust funds with respect to which the payment of interest is required by State law. The laws of a number of States require the payment of interest on uninvested funds held in trust by banks, and, since trust funds awaiting investment as a practical matter must usually be available on demand and may not ordinarily be carried as time deposits, it is believed that the prohibition upon the payment of interest on deposits payable on demand should be made inapplicable to deposits of trust funds with respect to which the payment of interest is required by State law.

"The present law provides that the prohibition upon the payment of interest on deposits payable on demand shall not be construed to prohibit the payment of interest by a member bank in accordance with the terms of any certificate of deposit or other contract entered into in good faith and in force on the date of enactment of the Banking Act of 1933. The inclosed bill provides in substance that such prohibition shall not be construed to apply to any payment made in accordance with the terms of a bona fide contract in force on the date on which the bank becomes subject to such provisions. The amendment would except from the

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"prohibition upon the payment of interest on deposits payable on demand any payment made by a bank entering the System subsequent to the enactment of the Banking Act of 1933, provided such payment is made in accordance with the terms of a contract entered into in good faith and in force on the date the bank becomes a member of the System. Such an amendment is believed to be desirable.

"It is the view of the Board that the absolute prohibition against the payment of any time deposit before maturity should be relaxed so as to permit the payment of such deposits before maturity in exceptional circumstances and in order to avoid hardships. Accordingly, the inclosed bill provides that no time deposit may be paid before its maturity 'except upon such conditions and in accordance with such rules and regulations as may be prescribed by the Federal Reserve Board'.

"It should also be noted that the bill submitted herewith contains language which would make the provisions of the last two paragraphs of section 19 applicable to every bank whose deposits are insured under the provisions of section 12B of the Federal Reserve Act. It is the view of the Board that banks which are not members of the Federal Reserve System, but the deposits of which are insured under the provisions of said section 12B, should be on the same basis as to the payment of deposits and of interest thereon as member banks of the Federal Reserve System. Under the existing law banks which are members of the Federal Reserve System are subject to certain limitations and restrictions with respect to the payment of deposits and of interest thereon which are not applicable to other banking institutions, notwithstanding that their deposits are insured under the provisions of said section 12B, and such institutions are thereby afforded a competitive advantage over member banks. The proposed amendment would place all banks whose deposits are insured under section 12B on a basis of equality in this respect.

"It is believed that the amendments suggested in the inclosed bill are desirable and that the enactment of the bill would be in the interest of the member banks of the Federal Reserve System and in furtherance of the essential purposes of the present law. Because of the existing situation, the Board hopes that your Committee will give early and favorable consideration to the proposed amendments with a view to the enactment of the bill inclosed herewith during the present session of Congress."

Mr. Hamlin stated that he had requested that the proposed letters be discussed at a meeting of the Board, and that he desired to call the Board's attention to the fact that the proposed amendment referred to therein provides that, if an officer or director of a

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nonmember bank, whose deposits are insured by the Federal Deposit Insurance Corporation, shall continue to violate the provisions of the last two paragraphs of section 19 or the rules and regulations issued pursuant thereto after having been warned to desist therefrom, may be removed from office, in accordance with the provisions of section 30 of the Banking Act of 1933, upon warning to such officer or director and certification to the Federal Reserve Board by the Federal Deposit Insurance Corporation.

After brief discussion, the letters were approved, together with a letter to Senator Glass, inclosing a copy of the letter to Senator Fletcher.

Governor Black stated that at the request of Senator Glass there had been prepared a memorandum as to what the situation will be on July 1, 1934, in the event the bill extending the temporary insurance provisions of section 12B of the Federal Reserve Act is not enacted, and that copies of the memorandum had been sent to the offices of the members of the Board for their information.

The Board then considered and acted upon the following matters:

Memorandum dated May 22, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment effective June 1, 1934, of Mr. Howard T. James as a clerk on the night force of the gold settlement fund section of the division, with salary at the rate of \$1.50, \$2.25 or \$3.00 a night depending upon his hours of service, to take the place of Mr. Oscar Stutler, an employee of the Insolvent Banks Division of the Office of the Comptroller of the Currency,

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whose resignation will be submitted when it has been determined that Mr. James' services will be satisfactory. The memorandum stated that Mr. Stutler's services as a clerk on the night force of the gold settlement fund section have proved entirely satisfactory, but that, inasmuch as he is a Government employee and receives a basic salary of \$2,000 per annum, it is thought that it would be better to replace him with an employee not in the Government service, particularly in view of the provision of law regarding a person holding two Government positions, the aggregate salaries of which exceed \$2,000 a year.

Approved.

Telegraphic reply on May 28, 1934, approved by six members of the Board, to a telegram of that date from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising of the death on May 27, 1934, of Mr. Edward S. Kennard, a Class A director of the bank. The reply stated that the members of the Federal Reserve Board regret sincerely to learn of the death of Mr. Kennard and requested Mr. Curtiss to express their sympathy to the members of Mr. Kennard's family and his colleagues on the board of directors of the Boston bank.

Approved.

Letter to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, prepared in accordance with the action taken at the meeting on May 28, 1934, reading as follows:

"This refers to the application of the Farmers Deposit Trust Company, Pittsburgh, Pennsylvania, for membership in the Federal Reserve System, which was forwarded to the Board with Mr. Fletcher's letter of May 21, 1934.

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"Section 9 of the Federal Reserve Act, as you know, provides that, in passing upon applications for admission to membership in the Federal Reserve System, the Federal Reserve Board shall consider not only the financial condition of the applying bank and the general character of its management but also 'whether or not the corporate powers exercised are consistent with the purposes of this Act'. The Board has given careful consideration to all of the facts involved in the application of Farmers Deposit Trust Company, and, in view of the character of the business of that institution, does not feel that it can properly approve its application for admission to membership. You are requested to advise the bank accordingly."

Approved.

Letter to the board of directors of "The Citizens Bank of Georgiana", Georgiana, Alabama, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Atlanta.

Approved, together with a letter to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"The Board has considered the application of 'The First National Bank of Greenville', Greenville, Alabama, for a permit under Section 5144 of the Revised Statutes, as amended, permitting the voting of stock which it owns or controls of The Citizens Bank of Georgiana, Georgiana, Alabama, and has authorized the issuance of such a permit to the applicant upon the condition that The Citizens Bank of Georgiana shall first be admitted to membership in the Federal Reserve System. There is accordingly sent you herewith a permit which is in form to authorize the voting of stock of The Citizens Bank of Georgiana by the trustees who now hold title to such stock or their successors in office and which you are authorized to deliver to the applicant at the time of the admission to membership of The Citizens Bank of Georgiana."

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Refer Dillistin's telegram May 28, 1934. Board grants

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"extension of time to June 12, 1934 within which 'The Mount Vernon Trust Company', Mount Vernon, New York, may accomplish its admission to membership."

Approved.

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

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Duluth National Bank', Duluth, Minnesota, from \$200,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$150,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of May 18, 1934.

"In considering the plan under which the proposed reduction in common capital is to be effected, it has been noted that securities depreciation unprovided for of approximately \$69,000, if considered as a loss, would impair the bank's common capital to the extent of approximately \$10,000. In addition there will remain in the bank a large aggregate of slow and doubtful assets in which some loss seems probable. It is assumed, however, that you have these conditions 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 28, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Pender', Pender, Nebraska, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate losses and other substandard assets, all as set forth in Mr. Awalt's memorandum of May 18, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected it has been noted that, after

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"application of the released capital to the elimination of estimated losses, there will remain in the bank approximately \$3,200 of loans classified as losses, and \$6,900 of loans classified as doubtful, as well as a large aggregate of slow assets. The Board feels that where, as in this instance, funds in the form of surplus and undivided profits are available, it would be preferable if provision were made for the elimination at least of all estimated losses rather than to carry such unsatisfactory assets in the bank, even though offset by surplus and profits. It is assumed, however, that if the subject bank is unable to collect or obtain adequate security for its doubtful and loss items within a reasonable time you will require their elimination.

"It has been noted also that your examiner severely criticizes the bank's management, which he regards as unsafe and almost entirely lacking in ability. It is understood, however, that this matter is receiving the attention of your office."

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of May 19, 1934, advising of a proposed reduction in the common capital stock of 'The Sedan State Bank', Sedan, Kansas, from \$30,000 to \$15,000, and the issuance and sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation, after which the bank will have capital of \$40,000 and a surplus of \$10,000.

"It appears from the information submitted that the entire amount of the released capital, together with the undivided profits and \$10,000 of the present surplus of the bank, is to be used to eliminate losses as classified in the report of credit investigation as of March 13, 1934, and that the recapitalization of the bank will result in a material improvement of its condition.

"However, it has been observed that, although the amount of the capital stock of The Sedan State Bank, after the proposed recapitalization, would be in excess of the minimum capital required for admission of a bank to membership in the Federal Reserve System in a place the size of Sedan, the amount of the capital of such bank would be nevertheless insufficient for the organization of a national bank in Sedan. In this connection, the Board has heretofore ruled that a member State bank may not, while remaining a member of the Federal Reserve System, reduce its capital below the amount required for the organization of a national bank in the place in which the State bank is located.

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"In the present case, however, it appears that after the proposed reduction and increase have been effected, the capital of the bank will be greater in the amount of \$10,000 than its capital prior to the time of such increase and reduction. In these circumstances, the Board feels that the purpose of the law will have been substantially complied with. The Board will, therefore, approve the reduction in the bank's capital as part of the plan of reorganization described in your letter, with the understanding, of course, that such reduction has the approval of the State banking authorities.

"It is observed from the report of credit investigation that two notes aggregating \$6,000 have been placed with other banks upon the endorsement of officers or directors of the subject bank. This practice appears to be in direct violation of one of the conditions under which the bank was admitted to membership and you are requested to advise it to refrain from transactions of this nature."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"RETEL May 24. In accordance with your recommendation Board amends its ANCIGAR telegram dated February 3, 1934, with respect to issuance of limited voting permit to Associates of Morris County, Inc., by substituting 'July 1, 1934' for 'May 1, 1934' in each of the two sections following the letter 'D' in order that applicant may have time within which to exercise voting powers in event that permit is issued."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has considered the application of the "Hamilton National Associates, Incorporated", Chattanooga, Tennessee, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Hamilton National Bank of Johnson City", Johnson City, Tennessee, and has authorized the issuance of a limited permit to the

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applicant for the following purposes:

"At any time prior to July 1, 1934, to act upon a proposal or proposals to create and issue preferred stock of such bank, of one or more classes and having an aggregate par value of \$500,000, and to reduce the bank's common stock from \$250,000 to \$100,000 and to make such amendments to the articles of association of such bank as may be necessary for such purposes, such proposal or proposals to be in accordance with a plan or plans which shall have been approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

The telegram authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Hamilton National Associates, Incorporated, a limited voting permit in accordance with the telegram.

The telegram stated also that the agent is authorized to amend the usual form of limited voting permit by adding after the name of the grantee the words "or its nominees".

Approved, together with a letter to
Mr. O'Connor, Comptroller of the Currency,
reading as follows:

"The Federal Reserve Board approves a reduction in the common capital stock of 'The Hamilton National Bank of Johnson City', Johnson City, Tennessee, from \$250,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$500,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Acting Comptroller Awalt's letter of May 17, 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 \$66,000 of estimated losses, \$75,000 of securities depreciation, \$254,000 of doubtful assets, and \$1,208,000 of slow assets, in addition to which the bank has a heavy investment in banking house and furniture and fixtures. It is apparent, therefore, that a serious capital impairment will still exist unless the guarantee of the holding company affiliate, The Hamilton National Associates, Inc., for \$65,000, and the statutory assessment

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"against the stockholders of the former Tennessee National Bank, to the extent that it may be collectible, are realized upon. It is assumed, however, that you have these matters in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has considered the application of the "First Bank Stock Corporation", Minneapolis, Minnesota, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in the "First National Bank of Mankato", Mankato, Minnesota, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to August 1, 1934, to act upon a proposal or proposals to create and issue to the Reconstruction Finance Corporation preferred stock of such bank having a par value of one hundred thousand dollars (\$100,000) and to reduce the bank's common stock from two hundred fifty thousand dollars (\$250,000) to one hundred fifty thousand dollars (\$150,000), and to amend the bank's articles of association accordingly, such proposal or proposals to be in accordance with a plan or plans which shall have been approved by the appropriate supervisory authorities and which shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis."

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

Approved, together with a letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Mr. Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'First National Bank of Mankato', Mankato, Minnesota,

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"from \$250,000 to \$150,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate unsatisfactory assets or to establish reserves therefor, all as set forth in Mr. Awalt's memorandum of May 17, 1934."

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has considered the application of the "Northwest Bancorporation", Minneapolis, Minnesota, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Dillon", Dillon, Montana, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to August 1, 1934, at any meeting of shareholders, to act upon a proposal to fix the number of directors of such bank and to amend the bank's articles of association accordingly, and also to elect directors and to conduct such business of a routine nature as is ordinarily conducted at the annual meetings of the bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Northwest Bancorporation, a limited voting permit in accordance with the telegram.

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of the affiliates' reports of the following member banks submitted in response to the Board's call of March 5, 1934:

Peoples Trust & Guaranty Company
Bank of Bogota
Fort Lee Trust Company
State Bank & Trust Company of

Hackensack, N. J.
Bogota, N. J.
Fort Lee, N. J.
Hackensack, N. J.

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"Bank of Hasbrouck Heights	Hasbrouck Heights, N. J.
Ridgefield Park Trust Company	Ridgefield Park, N. J.
Westwood Trust Company	Westwood, N. J.

"According to the affiliates' reports the Peoples Trust & Guaranty Company of Hackensack (which has subsequently changed its name to the Peoples Trust Company of Bergen County) controlled through trustees the Hackensack Securities Company, which in turn held control of the other State banks mentioned. (Two of these, the State Bank and Trust Company of Hackensack, and the Bank of Hasbrouck Heights, have since been absorbed by the Peoples Trust Company of Bergen County). It would therefore appear that all these member banks were affiliates of one another, and that certain non-banking subsidiaries owned by certain of the member banks were affiliates of the other member banks.

"Thus for example, it would appear that the Peoples Trust and Guaranty Company should have reported not merely the Hackensack Securities Company, and the 210 Main Street Corporation, but in addition all the subsidiaries controlled, directly or indirectly, by the Hackensack Securities Company; and it would appear as a further example that the Ridgefield Park Trust Company should have reported not merely the Hackensack Securities Company, but in addition the Peoples Trust and Guaranty Company, and all the subsidiaries, direct or indirect, of the Hackensack Securities Company. In reports as submitted however each of the subsidiary member banks included only its holding company affiliate, the Hackensack Securities Company, and such direct subsidiaries as each subsidiary member bank itself controlled.

"It is requested that you review the above relationships, and if it is found, as appears to be the case, that the reports are not made out in accordance with the Board's requirements, the member banks should be advised to that effect so that reports submitted by them in response to future calls may cover all of the banks and corporations, business trusts, associations, or similar organizations affiliated with them under the terms of Section 2 of the Banking Act of 1933."

Approved.

Telegram to Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco, reading as follows:

"Referring your May 23 wire, it is understood that Philadelphia Reserve bank entered into an arrangement with the local mint whereby silver dollars paid by mint in exchange for silver bullion are left at mint for account of Reserve bank which gives credit therefor to a designated member bank and thereupon sells the silver dollars to the mint as a transfer of funds. Suggest you endeavor

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"to work out a similar plan at San Francisco."

Approved.

Letter to Mr. Carlton McCarthy, New York, New York, reading as follows:

"The Federal Reserve Board has received a copy of your letter to Mr. W. H. Dillistin, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, dated May 10, 1934, in connection with your applications under Section 32 of the Banking Act of 1933 for permission to serve at the same time as a director of the Peoples National Bank of Patchogue, Patchogue, New York, as an officer and director of Great Northern Investing Co. Inc., New York, N. Y., and as an officer and director of Great Northern Bond and Share Co. Inc., New York, N. Y.

"The Board wishes it understood that its action in refusing to grant you a permit to continue the foregoing relationships is not to be regarded as reflecting in any degree upon your desirability as an officer and director of the Peoples National Bank of Patchogue, except in the respect that your relationships with that bank and with the Great Northern Investing Co. Inc., and Great Northern Bond and Share Co. Inc., come within the prohibitions of Section 32.

"The Board, however, believes that one of the purposes underlying the enactment of that section was the divorcement of commercial banking from investment banking. The Great Northern Investing Co. Inc., and Great Northern Bond and Share Co. Inc. from your application appear to be dealers in investment securities of the kind referred to in that section, and the Board believes that the relationships covered by your application are of the type which that Section was intended to terminate. Accordingly, in the absence of anything to show that the corporations named are not the kind at which the provisions of the section were directed, the Board believes that it may not properly make an exception as to your application."

Approved.

Letter to the following applicant for a permit under section 32 of the Banking Act of 1933, 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

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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. Grayson M.-P. Murphy, for permission to serve at the same time as a director of the Guaranty Trust Company of New York, New York, New York, as a trustee of The New York Trust Company, New York, New York, and as a partner of G. M.-P. Murphy and Company, New York, New York.

Approved.

Telegram to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Your wire today. Since you advise that Northern Trust Company of Chicago is not regularly associated with N. W. Harris Company and other members of Syndicate handling \$2,000,000 Hartford Connecticut Metropolitan District bonds, it appears that it is not correspondent bank for such other members and that permit not necessary for it to join in syndicate."

Approved.

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

"Board today decided to issue permit to Harris Trust and Savings Bank under Section 32 to act as correspondent bank for The N. W. Harris Company for period until June 16, 1934 in dealing in and/or underwriting following types of securities only: obligations of United States, general obligations of any State or of any political subdivision thereof, obligations issued under authority of Federal Farm Loan Act, obligations issued by Federal Home Loan Banks, and/or obligations issued by Home Owners Loan Corporation. Formal permit being prepared and will be mailed shortly. Please advise Harris Trust and Savings Bank."

Approved, Mr. James voting "no".

Letter to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, stating that the Board has given consideration

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to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, 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 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. Campbell Bosson, for permission to serve at the same time as a director of The Broadway National Bank of Chelsea and as a director and officer of the Chelsea Trust Company, both of Chelsea, Massachusetts.

Approved.

Letter to Mr. Charles S. Sargent, New York, New York, reading as follows:

"The Board has received your letter of May 18, 1934, regarding its letter of April 30, 1934, denying your application under the Clayton Act for a permit to serve at the same time as a partner of the firm of G. M.-P. Murphy & Co., New York, New York, and as a director of the Peninsula National Bank of Cedarhurst, New York. You indicate that you are not certain whether your firm should be regarded as a firm of 'private bankers' within the meaning of the Clayton Act.

"As was pointed out in its letter of April 30, 1934, the Board would have no authority to issue a permit to you under the Clayton Act if your firm is not a firm of 'private bankers' within the meaning of that Act. However, the Board feels that, irrespective of whether your firm is a banking institution of that kind, it would be incompatible with the public interest, as declared by the Congress, to issue a permit under the Clayton Act covering service at the same time to a national bank and to a firm which carries substantial margin accounts.

"Since your service to G. M.-P. Murphy & Co. and the Peninsula National Bank of Cedarhurst is forbidden by Section 8A of the Clayton Act, it will be appreciated if you will notify the Federal Reserve Agent at the Federal Reserve Bank of New York what steps you intend to take to bring your relationship with

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"those institutions into conformity with the requirements of that section."

Approved, together with a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"A copy of the Board's letter of April 30, 1934 addressed to Mr. Charles S. Sargent denying his application under the Clayton Act for a permit to be at the same time a member of the firm of G. M.-P. Murphy & Company, New York, New York, and a director of the Peninsula National Bank of Cedarhurst, Cedarhurst, New York, has been sent to you.

"Mr. Sargent has also filed an application under Section 32 of the Banking Act of 1933 for a permit covering the same relationship. In view of the action taken by the Board denying the Clayton Act permit, it would serve no useful purpose for it to act upon the application under Section 32, as a permit issued under that section would not render lawful a relationship prohibited by the Clayton Act. The Board, therefore, will take no further action upon that application."

Letter dated May 28, 1934, approved by six members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, 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 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. Thomas P. Littlepage, for permission to serve at the same time as a director of the Liberty National Bank of Washington, Washington, D. C., and as a director of the Bank of Bowie, Bowie, Maryland.

Approved.

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Letters dated May 28, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. William R. Collins, for permission to serve at the same time as a director of The First National Bank of Norwood, Norwood, Ohio, and as a director of The First National Bank of Cincinnati, Cincinnati, Ohio.

Mr. J. B. Doan, for permission to serve at the same time as a director of The First National Bank of Cincinnati, Cincinnati, Ohio, and as a director of The First National Bank of Norwood, Norwood, Ohio.

Mr. F. M. Williams, for permission to serve at the same time as a director of The First National Bank of West Newton, West Newton, Pennsylvania, and as a director and officer of The First National Bank of Smithton, Smithton, Pennsylvania.

Mr. O. W. Lundsten, for permission to serve at the same time as a director and officer of The Buffalo National Bank, Buffalo, Minnesota, and as a director and officer of The Minnetonka State Bank, Excelsior, Minnesota.

Mr. W. A. McMillen, for permission to serve at the same time as a director and officer of The First National Bank of Pukwana, Pukwana, South Dakota, and as a director and officer of the Okaton State Bank, Okaton, South Dakota.

Approved.

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

Mr. James T. O'Connell, for permission to serve at the same time as a director of The Aquidneck National Exchange Bank and Savings Company of Newport, Newport, Rhode Island, and as a director of The Morris Plan Company of Rhode Island, Providence, Rhode Island.

Mr. James W. Thompson, for permission to serve at the same time as a director and officer of The Aquidneck National Exchange Bank and Savings Company of Newport, Newport, Rhode Island, and as a director of The Morris Plan Company of Rhode Island, Providence, Rhode Island.

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Mr. W. H. Barton, for permission to serve at the same time as a director and officer of The First National Bank of Madison, Madison, New Jersey, and as a director and officer of the Madison Trust Company, Madison, New Jersey.

Mr. Maurice Callahan, for permission to serve at the same time as a director and officer of The First National Bank of Old Forge, Old Forge, New York, and as a director of The Hamilton County National Bank of Wells, Wells, New York.

Mr. Dennis Dillon, for permission to serve at the same time as a director of The First National Bank of Old Forge, Old Forge, New York, and as a director of The Hamilton County National Bank of Wells, Wells, New York.

Mr. Charles Williams, for permission to serve at the same time as a director of The First National Bank of Old Forge, Old Forge, New York, and as a director of The Whitestown National Bank of Whitesboro, Whitesboro, New York.

Mr. Willard Matthews, for permission to serve at the same time as a director and officer of the West Side Bank, Scranton, Pennsylvania, and as a director of The First National Bank of Scranton, Scranton, Pennsylvania.

Mr. Alexander T. Galloway, for permission to serve at the same time as a director of the Central Farmers Trust Company, West Palm Beach, Florida, as a director of the First National Bank in Palm Beach, Palm Beach, Florida, and as an officer of the Central Hanover Bank and Trust Company, New York, New York.

Mr. J. K. Williamson, for permission to serve at the same time as a director of the Central Farmers Trust Company, West Palm Beach, Florida, and as a director of the First National Bank in Palm Beach, Palm Beach, Florida.

Mr. C. W. Green, for permission to serve at the same time as a director of The First National Bank of Lake Park, Lake Park, Iowa, as a director of the Security State Bank, Sutherland, Iowa, and as a director of the Security State Bank, Hartley, Iowa.

Mr. W. F. Thompson, for permission to serve at the same time as a director and officer of The First National Bank of Lake Park, Lake Park, Iowa, as a director and officer of the Security State Bank, Sutherland, Iowa, and as a director of the Security State Bank, Hartley, Iowa.

Mr. Geo. A. Guild, for permission to serve at the same time as a director and officer of The Central National Bank of Topeka,

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Topeka, Kansas, and as a director of The State Bank of Bern, Bern, Kansas.

Mr. A. E. Keeney, for permission to serve at the same time as an officer of the Mercantile Home Bank & Trust Company, Kansas City, Missouri, and as a director of The National Bank in North Kansas City, North Kansas City, Missouri.

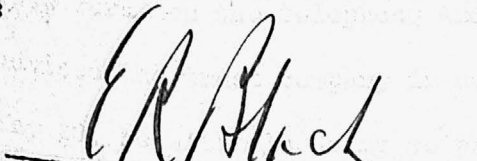
Mr. Nathan Rieger, for permission to serve at the same time as a director and officer of the Mercantile Home Bank & Trust Company, Kansas City, Missouri, as a director of The Stock Yards National Bank of Kansas City, Kansas City, Missouri, and as a director and officer of The National Bank in North Kansas City, North Kansas City, Missouri.

Approved.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Governor.