

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, June 4, 1934, at 3:00 p. m.

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

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

The Committee considered and acted upon the following matters:

Memorandum dated May 31, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. John O. Bergelin as research assistant in the division, with salary at the rate of \$2,800 per annum, effective June 4, 1934, subject to his passing a satisfactory physical examination.

The recommendation was approved by six members of the Board on June 2, 1934.

Approved.

Telegram dated June 2, 1934, approved by six members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"In view of information contained in your letter May 24 regarding service of Mr. Stuart Wilson as member of Red River Bridge District Commission, Board is of opinion that service is not contrary to spirit of Board's ruling of December 23, 1915, and will interpose no objection to Mr. Wilson accepting the appointment."

Approved.

Memorandum dated May 29, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated May 25 from Mr. Walsh,

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Chairman of the Federal Reserve Bank of Dallas, which requested approval of a change in the personnel classification plan of the bank to provide for a change from "comptometer operator" to "reserve deficiency clerk" in the title of a position in the accounting department. The memorandum stated that the committee had reviewed the proposed change and recommends that it be approved.

Approved.

Letter dated June 2, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board has reviewed the information submitted with the application of the 'Fountain State Bank', Fountain, Michigan, for membership in the Federal Reserve System.

"It has been observed that the bank suspended business February 11, 1933, and resumed operations on November 27, 1933, following a reorganization involving a 100 per cent assessment on the stockholders and a 50 per cent waiver of deposits, and that while the information submitted would indicate that the asset condition of the bank following the reorganization is reasonably satisfactory with a high degree of liquidity, the volume of business is small, the bank has no surplus account and only a small amount of undivided profits, and is under the same management and direction as formerly.

"The application has been transmitted with a recommendation of the special committee appointed by the Board of Directors of the Federal Reserve Bank of Chicago to pass upon applications of State banks for membership that 'action on the application be deferred until the bank has been in operation for at least one year and has again been examined by a Federal reserve bank examiner.'

"As stated in the Board's letter of September 11, 1933, X-7581a, it has been the consistent policy of the Board not to admit a bank to membership unless the Federal reserve bank and the Federal Reserve Agent have recommended such admission. In accordance with its expressed policy, therefore, the Board does not approve the application of the Fountain State Bank for membership at this time.

"You are requested, therefore, to communicate with the bank and suggest the withdrawal of its application, in which event,

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"although the application itself and the accompanying papers will remain part of the Board's files, no adverse action thereon will be taken by the Board. If, at a later time, you feel that the Board would be justified in again considering the matter, the Board will be glad to do so upon your recommendation, accompanied by a new application and a current report of examination."

Approved.

Memorandum dated May 23, 1934, from Mr. Wingfield, Assistant Counsel, stating that the Division of Examinations had called his attention, as a possible violation of the provision of section 22(g) of the Federal Reserve Act, to the fact that it appears from the analysis of the report of examination as of October 7, 1933, of the Interboro Bank and Trust Company of Prospect Park, Pennsylvania, that the loan of a vice-president of that bank has been renewed with the inclusion of interest on such loan. The memorandum suggested that, for the reasons set forth therein, the Board would be justified in not reporting cases of this kind to the Department of Justice; and that no action be taken in the instant case by the Board.

Suggestion approved.

Letter to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, requesting advice with regard to certain matters commented on in the report of examination of the Greene County Union Bank, Greeneville, Tennessee, as of December 27, 1933.

Approved.

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

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"Re Sargent's letters May 24, and 29, 1934 regarding condition prescribed in connection with the establishment by the First Security Bank of Idaho, Boise, Idaho, of a branch at Shelley, Idaho. Comments in Board's letter of January 8, 1934, stating that in connection with the establishment of the other branches of the First Security Bank of Idaho a valuation reserve as defined in the letter would be considered compliance with the condition regarding elimination of losses and depreciation are likewise applicable in this case. In this connection reference is made to the Board's letter March 13, 1934 regarding the general question of valuation reserves."

Approved.

Letter dated June 2, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller of the Currency Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The Tipp National Bank of Tippecanoe City', Tippecanoe City, Ohio, from \$60,000 to \$50,000, pursuant to a plan which provides for the use of the released capital in eliminating substandard assets and securities depreciation and the consolidation of the subject bank with The Citizens National Bank of Tippecanoe City, all as set forth in Acting Comptroller Awalt's memorandum of May 25, 1934."

Approved.

Letter dated June 2, 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 in Meridian', Meridian, Mississippi, from \$400,000 to \$200,000, pursuant to a plan which provides that the bank's capital shall be increased by \$300,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital together with \$50,000 from the surplus shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's letter of May 25, 1934."

Approved.

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Letter dated June 2, 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 American National Bank of Gadsden', Gadsden, Alabama, from \$200,000 to \$125,000, 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 approximately \$30,000 of unsatisfactory assets and to set up a reserve of \$45,000 against doubtful items, all as set forth in Mr. Awalt's letter of May 23, 1934."

Approved.

Letter dated June 2, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Marietta', Marietta, Georgia, from \$100,000 to \$50,000, 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 shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Acting Comptroller Awalt's letter of May 25, 1934.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that no provision was made for a change in the management although the examiner criticizes the present management and states in the examination report that there is some question in his mind whether President Massey should be retained in the bank as its chief and executive officer. It has been noted from the report of examination that approximately \$4,900 of the loan of President Massey is classified as doubtful by the examiner and that no interest is being paid on the loan. It is assumed, however, that you have this condition in mind and that whenever it becomes feasible to do so you will effect such corrections as may be practicable."

Approved.

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Letter dated June 2, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of Mr. Awalt's memorandum of May 21, 1934, with reference to the proposed reduction in common capital stock of 'The First National Bank of Ripon', Ripon, Wisconsin, from \$300,000 to \$150,000, and the sale of \$150,000 preferred stock to the Reconstruction Finance Corporation, which was approved by the Board on January 31, 1934.

"Mr. Awalt advises that the bank desires to change its original plan to provide for the sale to the Reconstruction Finance Corporation of \$120,000 of preferred stock instead of \$150,000 as originally contemplated, and recommends that the Board approve the proposed reduction of \$30,000 in the amount of preferred stock to be sold.

"Since the report of examination of March 13, 1934, shows an improvement in the condition of the bank to the extent that the surplus will be unimpaired, whereas on the basis of the examination report of April 7, 1933, which was the report under consideration in connection with the original plan, there would have been an impairment of approximately \$46,000 in the bank's common capital, and inasmuch as the bank will have adequate capital in relation to its deposits, the Board, in accordance with Mr. Awalt's recommendation, approves the amended plan providing for the sale of only \$120,000 preferred stock, as set forth in Mr. Awalt's memorandum of May 21, 1934, with the understanding that the other provisions of the plan remain unchanged."

Approved.

Letter dated June 2, 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 Fidelity National Bank of Oklahoma City', Oklahoma City, Oklahoma, from \$300,000 to \$150,000, pursuant to a plan which provides that the bank's capital shall be increased by \$300,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate losses and sub-standard assets in the amount of approximately \$100,000 and to

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"set up a reserve for depreciation of \$50,000, all as set forth in Mr. Awalt's memorandum of May 18, 1934."

Approved.

Letter dated June 2, 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 Hoisington National Bank', Hoisington, Kansas, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation and that the released capital shall be used in eliminating a corresponding amount of losses and substandard assets, all as set forth in Mr. Awalt's memorandum of May 18, 1934."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has given consideration to the application of "Hamilton National Associates, Inc.", 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 following banks:

- "The First National Bank of Cartersville", Cartersville, Georgia
- "The First National Bank of Loudon", Loudon, Tennessee
- "The Hamblen National Bank of Morristown", Morristown, Tennessee
- "The First National Bank of Pikeville", Pikeville, Tennessee
- "The First National Bank of South Pittsburg", South Pittsburg, Tennessee
- "First National Bank in Harriman", Harriman, Tennessee
- "The First National Bank of Lenoir City", Lenoir City, Tennessee
- "The Hamilton National Bank of Chattanooga", Chattanooga, Tennessee

and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

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"Prior to the issuance of the limited voting permit hereby authorized applicant shall re-execute and deliver to you in the manner customarily employed with respect to agreements executed in fulfillment of a condition of the issuance of a limited voting permit, the identical agreement called for by the Board's ANCIGAR telegram to you dated January 9, except that in the first sentence of clause (a) the date 'September 1, 1934' shall be substituted for 'April 1, 1934,'."

and for the following purpose:

"To act, at any time prior to September 1, 1934, upon a proposal or proposals to authorize an increase in the capital funds of each such bank and to do all things necessary for such purpose, provided that such proposal or proposals shall be in accordance with a plan or plans which shall be satisfactory to the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

The telegram stated also that, prior to the issuance of a permit entitling the applicant to vote on a proposal to reduce the capital stock of any of its subsidiary member banks, the details of the plan or plans for such reduction should be submitted to the Comptroller of the Currency and the proposed reduction should be approved by the Comptroller of the Currency and by the Federal Reserve Board. The telegram authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to Hamilton National Associates, Inc., a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved.

Telegram dated June 2, 1934, approved by six members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consideration to the application of the "First Bank Stock Corporation", Minneapolis,

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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 Valley City", Valley City, North Dakota, 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, issue and sell to the Reconstruction Finance Corporation preferred stock of such bank having a par value of fifty thousand dollars (\$50,000) and to reduce the common stock of such bank from one hundred thousand dollars (\$100,000) to fifty thousand dollars (\$50,000) and to make such amendments to the articles of association of the bank and to take such other action as may be necessary to carry out 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 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, also dated June 2, 1934, and 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 Valley City', Valley City, North Dakota, from \$100,000 to \$50,000, 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 shall be used to eliminate a corresponding amount of unsatisfactory assets, or to set up reserves therefor, all as set forth in Mr. Awalt's memorandum of May 17, 1934."

Letter to Mr. Winthrop W. Aldrich, Chairman of the Board of

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Directors of The Chase Bank, New York, New York, reading as follows:

"There is inclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, as of the close of business December 4, 1933. The figures pertaining to the foreign branches shown in the consolidated statement of condition have been obtained from reports submitted by the branches."

Approved.

Letter dated June 2, 1934, approved by six members of the Board, to Mr. Charles C. Clough, Comptroller of the Manufacturers Trust Company, New York, New York, reading as follows:

"On account of the pressure of other matters arising in connection with the Banking Act of 1933 the Federal Reserve Board was unable to give prompt consideration to the question presented in your letter of October 18, 1933, in which you requested a ruling of the Board as to whether the Manufacturers Trust Company may pay interest on a deposit of public funds of the Government of Puerto Rico or of a city in Puerto Rico which is payable on demand; and we regret to find that no reply has as yet been made to the letter.

"The answer to the question which you raised depends upon whether Puerto Rico is to be considered a State within the meaning of that word as used in Section 19 of the Federal Reserve Act relating to the payment of interest on deposits payable on demand and whether the law of Puerto Rico is to be regarded as requiring the payment of interest on public funds deposited in the Manufacturers Trust Company. If the matter is one upon which you still desire to have an expression of opinion by the Federal Reserve Board, the Board will be glad to have you submit, if you care to do so, the views of the attorneys for your company on these questions as an aid in the Board's consideration of the matter."

Approved.

Letter to Mr. R. I. Fulton, Cashier of The County National Bank at Clearfield, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of May 17, 1934 regarding the right of your bank under the Federal Reserve Board's Regulation Q to allow the transfer of a savings account from one depositor to another.

"You state that in accordance with Section VI of Regulation

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"Q, your bank requires thirty days' notice of intended withdrawal from savings accounts, except that any depositor may withdraw \$100 during any calendar month without such notice. You request to be advised whether, in view of this requirement, you may lawfully permit a savings depositor whose account is in excess of the \$100 limit to divest herself of title to such account by a transfer thereof to a savings account in the name of another depositor, provided that the new account shall immediately be subject to the above mentioned rule of the bank with respect to withdrawals from savings accounts.

"Section 19 of the Federal Reserve Act provides that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. Pursuant to this provision of the statute, the Federal Reserve Board has prescribed in Section VI (a) of its Regulation Q that if a member bank requires notice before the payment of any portion or percentage of the savings deposits of any depositor, it shall require such notice before the payment of the same portion or percentage of the savings deposits of any other depositor which are subject to the same requirement. Since your bank requires thirty days' notice before the withdrawal of amounts in excess of \$100 during any calendar month, it may not lawfully allow the withdrawal of the funds here in question without requiring such notice, unless it should change its practice in this regard in accordance with the provisions of Section VI of Regulation Q. It appears that the transaction described in your letter would in effect make available to the savings depositor the entire amount of the funds contained in his account without requiring notice of withdrawal, thus discharging the obligation of the bank to the depositor, and that a new account in the same amount would then be opened by another depositor. It is the opinion of the Board that such a transaction would constitute a payment of the savings deposits in question and, accordingly, that the transaction is not permissible in view of the present practice of your bank to require notice of thirty days before payment of other savings deposits of similar amounts.

"You state in your letter that the two banks in Clearfield, Pennsylvania, 'have agreed to require 30 days' notice of intended withdrawal from savings accounts except that any depositor may withdraw \$100 during any calendar month without such notice.' One of the requirements of a savings deposit set forth in Regulation Q is that the depositor must be required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than thirty days before a withdrawal is made. It is not clear from the information submitted whether each bank in Clearfield has reserved the legal right to require notice in writing of not less than thirty days before withdrawals of amounts of \$100 or less; and if the contract between the depositor and the bank does not reserve to the bank the legal right to

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"require the requisite notice of withdrawal of amounts of \$100 or less, or if such bank may not change its practice in this respect without the consent of the other bank concerned so as to require the requisite notice of withdrawal, the amount which is not subject to such notice may not be treated as a savings deposit within the meaning of Regulation Q upon which interest may lawfully be paid. On the other hand, if the bank at its option may legally require notice in writing of not less than thirty days before the withdrawal of any part of a savings deposit, regardless of the amount to be withdrawn, without contravening any provision of its contract with its depositor or its agreement with other banks, the entire amount of such deposit may properly be classified as a savings deposit if it otherwise complies with the definition in Regulation Q. If there is any question as to the right of your bank in this respect, it is suggested that consideration be given to the advisability of revising the contracts with depositors and agreements with other banks so as to make clear the bank's legal right at its option to require notice in writing of not less than thirty days before the withdrawal of any amount whatever of a savings deposit, in order that the entire amount of such deposit may properly be classified as a savings deposit upon which interest may lawfully be paid.

"In this connection it appears that your bank requires thirty days' notice of intended withdrawals from savings accounts (with the exception above discussed) but you do not indicate that notice in writing is required. Your attention is invited to the requirement with respect to savings deposits contained in Regulation Q that the depositor may at any time be required by the bank to give notice in writing of not less than thirty days before a withdrawal is made."

Approved.

Letter dated June 2, 1934, approved by six members of the Board, to Senator Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"This refers to the letter of May 18, 1934, from the Acting Clerk of your Committee, in which a report is requested on S. 3632, entitled 'A Bill To amend section 5153 of the Revised Statutes, as amended'. The bill would authorize a national bank to give satisfactory security for bankruptcy and receivership funds deposited with it pursuant to an order of any court of the United States.

"The proposed amendment would affect national banks only and would have no direct effect on State banks which are members

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"of the Federal Reserve System. Accordingly, the question of the desirability of the enactment of the bill S. 3632 would appear to be one primarily within the jurisdiction of the Comptroller of the Currency and a matter upon which it is unnecessary for the Federal Reserve Board to express an opinion. However, the Board has no objection to the enactment of the bill."

Approved.

Letter to Senator 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 May 14, 1934, inclosing a copy of S. 3596, entitled 'A Bill To amend section 21 of the Federal Reserve Act, and for other purposes', and requesting a report thereon. The bill would amend said section 21 so as to authorize the Federal Reserve Board or the Comptroller of the Currency, as the case may be, to waive the requirements of the present law with respect to reports and examinations of affiliates of member banks in any case in which it may appear to the Board or Comptroller, respectively, that the report or examination is not necessary to disclose fully the relations between the affiliate and the bank and the effect thereof upon the affairs of the bank.

"Section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, requires each State member bank to obtain from each of its affiliates other than member banks and furnish to the Federal reserve bank of its district and to the Federal Reserve Board not less than three reports during each year, and to publish such reports under the same conditions as govern its own condition reports. Said section 9 also requires such examinations of the affairs of the affiliates of State member banks 'as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks'. Similar requirements are applicable to national banks under the provisions of section 5211 and of section 5240 of the Revised Statutes. The latter section constitutes section 21 of the Federal Reserve Act.

"The scope of the provisions requiring examinations and the furnishing and publication of reports of affiliates depends primarily upon the definition of the term 'affiliate' which is contained in section 2 of the Banking Act of 1933. Under the definition in that section, the term includes 'any corporation, business trust, association, or other similar organization' which is owned or controlled through stock ownership by a member bank or by the majority shareholders of a member bank, or of which a member bank or its majority shareholders control the election of a majority of the organization's directors, trustees, or other

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"persons exercising similar functions, or of which a majority of the organizations' directors, trustees, or other persons exercising similar functions are directors of a member bank. In an opinion rendered under date of September 7, 1933, the Attorney General of the United States considered the question whether there may be excluded from the operation of the statute an organization related to the bank in some manner set forth in said section 2 on account of the nature of the business of the organization or the manner in which ownership or control was obtained, and stated that 'the only safe course is to assume that the statute means just what it says', and that 'the executive department must accept the law as Congress has written it, leaving it to Congress to correct by amendment any inequities which may appear'.

"In view of the fact that the statutory test as to whether an organization is an affiliate of a member bank does not depend upon the kind of business in which it is engaged or upon the manner in which ownership or control was established, it has been necessary to rule in certain instances that a newspaper, a sanatorium, hotels, cemetery associations, eleemosynary institutions, and organizations engaged in various industrial enterprises were affiliates of member banks, even though it appeared that the relationship of the affiliate to the member bank had no substantial effect on the solvency, management, operations, policies, or reputation of the member bank, and although in certain of these cases it appeared further that control of the organization was obtained by the member bank through its acquisition of stock in an effort to protect itself against loss on a debt previously contracted in good faith, or that the organization was an affiliate of the member bank solely by reason of the fact that a majority of the organization's directors, trustees, or other persons exercising similar functions happened to be also directors of the member bank. Moreover, since the requirements of law with respect to the furnishing and publication of reports of affiliates are in terms mandatory and neither the Comptroller nor the Board is authorized to waive such requirements, it was necessary for the member banks to obtain and publish reports of such affiliates and to furnish such reports to the Federal reserve banks and to the Federal Reserve Board. In those cases in which the relationship of the affiliate to the member bank was purely fortuitous, the furnishing and publication of reports resulted in unwarrantable expense to the member bank, in the accumulation in the Federal reserve banks and in the offices of the Board of information which was of no value, and oftentimes in the public's mentally associating the member bank with an organization whose relationship to the bank was wholly casual and of no substantial effect on the bank. It is clear that in such cases the member banks were burdened with unjustifiable trouble and expense to no useful purpose, and that it was not in the public interest to

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"require the furnishing and publication of reports. For similar reasons, it is apparent that examinations of affiliates of that kind involve expenses which are disproportionate to any possible benefits to be derived therefrom.

"Although it is desirable that the definition of an 'affiliate' should be broad, it is believed for the reasons set forth above that the provisions requiring affiliates to make reports and to submit to examination should be discretionary with the Board or the Comptroller, as the case may be, in order to avoid consequences which are undesirable and not in accord with what the Board believes the intent of Congress to have been in enacting the present law. Accordingly, the Board is in favor of the enactment of the amendment proposed in the bill S. 3596 for this purpose."

Approved.

Letter to Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of April 25, 1934, in which you submit certain questions arising out of the acquisition by the Federal Reserve Bank of Kansas City of bonds of the Federal Farm Mortgage Corporation and bonds of the Home Owners' Loan Corporation. You state that such bonds are acquired by the bank on account of 'debts previously contracted', and you imply that the bonds have maturities at the date of acquisition of more than 6 months and are ineligible for purchase by the bank under the provisions of section 14 of the Federal Reserve Act. You desire to know whether there is any objection to your carrying the bonds so acquired in your investment account.

"If the bonds are taken for the purpose of protecting the bank against loss on debts previously contracted in good faith or in compromise of doubtful claims, it is the opinion of the Board that in such circumstances the bank may lawfully acquire the securities and that they may thereafter be carried as a part of its assets. Furthermore, it is the view of the Board that it is not necessary for the bank to dispose of such securities within a specified period of time, but the Board feels that the bank should dispose of any such bonds which are ineligible for purchase under the provisions of section 14 as soon as practicable and within a reasonable time after the acquisition of the same by the bank.

"You also request to be advised as to the manner in which such securities should be shown on Form 34. Since the bonds in question are not eligible for purchase under the provisions of Section 14 of the Federal Reserve Act and were acquired in settlement of debts previously contracted, it is suggested that for

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"the present they be reported on the Daily Balance Sheet, Form 34, among 'Miscellaneous assets' against the caption 'Bonds accepted in settlement of indebtedness'."

Approved.

Letter to Mr. George S. Hovey, President of The Inter-State National Bank, Kansas City, Missouri, reading as follows:

"Receipt is acknowledged of your letter of May 8, 1934, concerning the Board's letter of May 1, 1934, which stated that it was unable to grant your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as president and director of The Inter-State National Bank, Kansas City, Missouri, and as a director of Brown-Crummer Investment Company, Wichita, Kansas.

"The Federal Reserve Board has considered the statement in your letter that The Inter-State National Bank is located in the stockyards, and that its business consists largely of receiving deposits from other banks and making loans to live stock interests. Your statement that you have not recently expressed an opinion to a prospective purchaser concerning the bonds of the Brown-Crummer Company has also been noted. The Board has also received a letter from Mr. McClure giving further information regarding your services.

"However, the action upon your application was taken pursuant to a general policy which the Board adopted in order to carry out the purposes which it believes the Congress had in mind in enacting Section 32, as stated in my letter of May 1, and it feels that permits should not be granted covering such relationships even though the particular applicant has not allowed his interest in a securities company to influence his judgment and actions as an officer or director of a member bank.

"In the circumstances, the Board does not see how it can make an exception in your case, and therefore has denied your application."

Approved.

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

"The Federal Reserve Board has considered the applications of H. H. Jones, R. E. Jenney, and Frank G. Belcher under Section 32 of the Banking Act of 1933 for permits to serve as officers and/or directors of The First National Trust and Savings Bank of

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"San Diego, and as officers and/or directors of T. A. Hutchinson & Company, both of San Diego, California. The Board has also considered a similar application of F. J. Belcher, Jr., for a permit to serve as president and director of the above mentioned bank, as director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, and as director of T. A. Hutchinson & Company.

"From the information contained in the answer to Question No. 2 of F. R. B. Form 99a, it appears that T. A. Hutchinson & Company is engaged in a brokerage business consisting of the purchase and sale of securities on behalf of others in the open market.

"In view of the principles discussed in the Board's letter of April 13, 1934 (X-7860), it appears that Section 32 is not applicable to the relationships in question, and unless there are other facts which you believe should be called to the Board's attention, you may so advise the applicants.

"Incidentally, it should be noted, in connection with the application of Mr. F. J. Belcher, Jr., that the provisions of Section 32 apply only to member banks, and hence are not applicable to a branch of a Federal reserve bank.

"It does not appear from the applications and accompanying papers whether or not T. A. Hutchinson & Company makes loans secured by stock or bond collateral, either in connection with the carrying of margin accounts or otherwise. It will be appreciated if you will ascertain whether the company makes such loans, and if you find that it does, please call the applicants' attention to the fact that Section 8A of the Clayton Act forbids interlocking relationships between national banks and organizations which make such loans. In this connection, reference is made to the ruling published at page 244 of the Federal Reserve Bulletin for April 1934, and to the Board's letter of April 30, 1934 (X-7884).

"It is noted that in the answer to Question No. 5 on F. R. B. Form 99a, it appears that F. J. Belcher, Jr., is serving as president and director of Garrettson Investment Company, San Diego, California, and as director of The Pacific Company, Los Angeles, California, both of which are engaged in the business of 'investments', and as president and director of Dewar & Company, San Diego, California, engaged in the business of 'securities'; that H. H. Jones is serving as a partner of Jones & Fowler, San Diego, California, and as a director of Dewar & Company, San Diego, California, both of which are engaged in the business of 'securities'; and that F. G. Belcher is an officer and director of Dewar & Company, San Diego, California, which is engaged in the business of 'securities'. It is assumed you have in mind the possibility that the provisions of Section 32 may be applicable in connection with the applicants' service to these companies."

Approved.

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

"This refers to your letter of May 21, 1934, relative to the Clayton Act application of Earl W. Harrington of Plainview, Minnesota, to serve at the same time as an officer and director of the First National Bank of Plainview, and the Dakota State Bank, Dakota, Minnesota. You state that the Dakota State Bank has been absorbed by The Merchants Bank, Winona, Minnesota, and that although the Dakota State Bank is not conducting a banking business, it still continues as a corporate entity.

"If the Dakota State Bank makes no new loans secured by stock or bond collateral within the meaning of Section 8A of the Clayton Act, it will not be necessary for Mr. Harrington to obtain a Clayton Act permit covering such relationship. In this connection it is understood that the relationship of Mr. Harrington described above does not otherwise fall within the provisions of Section 8 of such Act."

Approved.

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

"This refers to your letter of May 16, 1934, relative to the Clayton Act permit of Mr. H. G. Pratt, Hastings, Nebraska, to serve at the same time as officer and director of the First National Bank of Hastings, and the State Bank of Juniata, Juniata, Nebraska. You advise that the State Bank of Juniata has recently merged with the Prosser State Bank, Prosser, Nebraska, and moved to Kenesaw, Nebraska, its name being changed to the Adams County Bank, Kenesaw, Nebraska, and that such bank is operating under the charter of the State Bank of Juniata. You request to be advised whether the change in name and location of the Juniata Bank will necessitate a new Clayton Act permit for Mr. Pratt.

"Inasmuch as the mere change of title by a bank does not change the legal entity of the corporation, it is not necessary for the directors, officers or employees of banks which merely change their names to file new applications for permits under the provisions of the Clayton Act. However, if the change in location of the Juniata bank to Kenesaw, Nebraska, will bring such bank into competition with the First National Bank of Hastings, consideration should be given to the question of revoking the permit already issued to Mr. Pratt."

Approved.

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Letters dated June 2, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Kathryn Beltz, for permission to serve at the same time as an employee of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. George W. Blair, for permission to serve at the same time as a director of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director of the North Side Trust & Savings Bank, Mishawaka, Indiana.

Esther E. Bumiller, for permission to serve at the same time as an employee of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. C. A. Dresch, for permission to serve at the same time as a director of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director of the North Side Trust & Savings Bank, Mishawaka, Indiana.

Mr. Elmer E. Faller, for permission to serve at the same time as an employee of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. George E. Greenawalt, for permission to serve at the same time as an employee of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. M. J. Laing, for permission to serve at the same time as a director of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director of the North Side Trust & Savings Bank, Mishawaka, Indiana.

Mr. A. J. Major, for permission to serve at the same time as a director and officer of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director and officer of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director and officer of the North Side Trust & Savings Bank, Mishawaka, Indiana.

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Mr. E. J. Robinson, for permission to serve at the same time as an employee of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. A. J. Schindler, for permission to serve at the same time as a director of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director of the North Side Trust & Savings Bank, Mishawaka, Indiana.

Mr. Donald B. Smith, for permission to serve at the same time as an officer of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an officer of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. Fred N. Smith, for permission to serve at the same time as a director and officer of The First National Bank of Mishawaka, Mishawaka, Indiana, as a director and officer of the First Trust & Savings Bank, Mishawaka, Indiana, and as a director and officer of the North Side Trust & Savings Bank, Mishawaka, Indiana.

Mr. Francis E. Walters, for permission to serve at the same time as an officer of The First National Bank of Mishawaka, Mishawaka, Indiana, and as an employee of the First Trust & Savings Bank, Mishawaka, Indiana.

Mr. W. E. Adams, for permission to serve at the same time as a director and officer of The First National Bank of Deadwood, Deadwood, South Dakota, and as a director of The First National Bank of Lead, Lead, South Dakota.

Mr. Robert E. Driscoll, for permission to serve at the same time as a director and officer of The First National Bank of Lead, Lead, South Dakota, as a director and officer of The First National Bank of Deadwood, Deadwood, South Dakota, and as a director of the Bank of Spearfish, Spearfish, South Dakota.

Mr. Carlton O. Gorder, for permission to serve at the same time as an officer of The First National Bank of Deadwood, Deadwood, South Dakota, and as a director of the Bank of Spearfish, Spearfish, South Dakota.

Mr. G. A. McGarraugh, for permission to serve at the same time as a director and officer of The First National Bank of Philip, Philip, South Dakota, and as a director and officer of the Farmers State Bank, Dupree, South Dakota.

Mr. J. C. Nelson, for permission to serve at the same time as a

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director and officer of the Bank of Spearfish, Spearfish, South Dakota, and as a director and officer of The First National Bank of Philip, Philip, South Dakota.

Approved.

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

Mr. Geo. C. Fullinweider, for permission to serve at the same time as a director and officer of The National Bank of Huron, Huron, South Dakota, and as a director and officer of the Hitchcock State Bank, Hitchcock, South Dakota.

Mr. Max Royhl, for permission to serve at the same time as a director and officer of the First National Bank in Arlington, Arlington, South Dakota, as a director and officer of The Security National Bank of Huron, Huron, South Dakota, and as a director and officer of the Hitchcock State Bank, Hitchcock, South Dakota.

Approved.

There were then presented the following applications for changes in stock of Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
The Arcanum National Bank, Arcanum, Ohio	36	36
<u>District No. 7.</u>		
Security National Bank of Battle Creek, Battle Creek, Michigan	720	720
<u>District No. 10.</u>		
First National Bank in Lamar, Lamar, Missouri	36	36
	<u>Total</u>	<u>792</u>

Approved.

Thereupon the meeting adjourned.

Approved:

E. R. Black
Governor.

Robert Morison
Secretary.