A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, June 6, 1934, at 2:30 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:

Telegrams dated June 5, 1934, from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, and June 6, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 1, 1934, from Mr. Wyatt, General Counsel, recommending the appointment of Miss Mary M. McDonnell as a stenographer in the legal division, with salary at the rate of $1,560 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed a satisfactory physical examination. The recommendation was approved by six members of the Board on June 5, 1934.

Approved.

Memorandum dated May 29, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated May 21 from Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York, which requested approval of changes in the personnel classification plan of the bank to provide for the new positions of "junior clerk" in the securities division of the securities department, and "coin paying teller" in the coin and bullion division of the cash department; a reduction in the salary range of the position of "translator" in the foreign information division of the foreign department; and the transfer of the position of "parcel checker" from the administration-service division, utility section, to the administration-protection division. The memorandum stated that the committee had reviewed the proposed changes and recommends that they be approved. The recommendation was approved by five members of the Board on June 5, 1934.

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of May 25, 1934, inclosing a report of indebtedness and outside business affiliations submitted by Mr. Ernest C. Hill, Assistant Federal Reserve Agent, as of May 1, 1934.

"The Federal Reserve Board is pleased to note that Mr. Hill is continuing the reduction of his indebtedness to the two nonmember banks listed in the report and that he will liquidate the loans entirely as soon as conditions permit.

"It is also noted from your letter that the indebtedness previously reported by Mr. C. F. Eaton, Examiner, to the Mitten Men & Management Bank and Trust Company was paid in full on May 14, 1934.

"In this connection, the Board's letter of April 29, 1933,

"X-7425, stated that there should be a prompt report to the Board of any indebtedness of the kind referred to in the letter incurred by the agent or any member of his staff after July 1, 1933, and such report should contain information similar to that called for in the Board's letter with respect to indebtedness outstanding on that date. Accordingly, it is suggested that you arrange to report to the Board promptly any indebtedness, excluding current bills for ordinary personal or household expenses, incurred by members of your staff, and that you submit on July 1 and January 1 of each year a report with regard to the progress being made in the liquidation of the indebtedness previously reported."

Approved.

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

"Receipt is acknowledged of your letter of May 24, 1934, in reply to the Board's letter of May 22 regarding the condition of the Daly Bank and Trust Company of Anaconda, Montana, as reflected in the report of examination as of April 7, 1934.

"It is noted that the bank plans to have its recapitalization plans completed and $500,000 paid into the bank by July 10, 1934. The total of estimated losses, depreciation in securities, and assets classified as doubtful is considerably in excess of the total of the bank's capital accounts as of April 7, and in submitting the analysis of the report of examination you state that it is obvious that the bank cannot be certified until it has issued the preferred stock. While legislation is pending which would postpone for one year the inauguration of the permanent insurance fund, it is not believed that the bank would be justified in counting upon such extension until the bill is actually enacted and it is suggested that you endeavor to have the bank's recapitalization program expedited as much as possible in order that there may be no question about the certification if required before July 1, 1934."

Approved.

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

"There is transmitted herewith, for your information and files, a copy of a letter from Federal Reserve Agent Wood, at St. Louis, to the Board, in regard to the proposed consolidation of The Citizens National Bank of Evansville and the Citizens

"Trust & Savings Bank, both of Evansville, Indiana, and the Board's grant of trust powers to the national bank effective if and when the merger is effected.

"In view of the information contained in Mr. Wood's letter, it is respectfully requested, in the event your office should decide to approve the pending merger without requiring the issuance and sale of the preferred stock originally contemplated, that the Board be afforded an opportunity to reconsider its grant of trust powers in the light of the report of examination of the national bank which it is understood has recently been completed, before such merger receives your formal approval."

Approved.

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

"The Federal Reserve Board has again considered the application of 'The Commercial National Bank of Kansas City', Kansas City, Kansas, for permission to exercise full fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"In view of the information contained in the report of examination as of February 12, 1934, which includes a report of examination of the Kansas Trust Company, and the adverse recommendation of yourself and your executive committee, in which the Comptroller of the Currency concurs, the Board is unwilling to approve the bank's application for fiduciary powers. You are requested, therefore, to advise The Commercial National Bank of Kansas City that the Board has denied its application.

"The Board will be glad to consider another application from the subject bank whenever its condition and management are such that you and your executive committee would be willing to submit it with a favorable recommendation."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller of the Currency Awalt, the Federal Reserve Board approves a reduction in common capital stock of 'The First National Bank of Perry', Perry, New York, from $100,000 to $50,000, pursuant to an amended plan which provides that the bank's capital shall

"be increased by $120,000 of preferred stock to be sold to the Reconstruction Finance Corporation and others, and that the released capital, together with the surplus and undivided profits, shall be used to eliminate a corresponding amount of the least desirable assets in the bank, all as set forth in Acting Comptroller Awalt's supplemental memorandum of May 21, 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 approximately $39,000 of depreciation in securities, which, if considered a loss, would impair the bank's capital to that extent. It is assumed, however, that you have this condition in mind and whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated June 5, 1934, approved by five 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 Garrettsville', Garrettsville, Ohio, from $80,000 to $50,000, 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/or others, and that the released capital shall be used to eliminate a corresponding amount of the least desirable assets, all as set forth in Mr. Awalt's memorandum of May 25, 1934."

Approved.

Letter dated June 5, 1934, approved by five 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 Kenova', Kenova, West Virginia, from $40,000 to $30,000, pursuant to a plan which provides that the bank's capital shall be increased by $20,000 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 the least desirable assets, all as set forth in Mr. Awalt's letter of May 25, 1934.

"In this connection, it is understood that the balance of the losses estimated by your examiner will be eliminated by the use of a portion of the bank's surplus and undivided profits accounts."

Approved.

Letter dated June 5, 1934, approved by five 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 Shenandoah', Shenandoah, Virginia, 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/or others, and that the released capital shall be used in eliminating unsatisfactory assets in the amount of $8,720.30, all as set forth in Mr. Awalt's letter of May 19, 1934.

"It has been noted that Mr. Awalt's letter does not state what disposition will be made of the remaining released capital. It is assumed, however, that none of such funds will be returned to the shareholders, but that the entire amount will be used to eliminate unsatisfactory assets or to establish reserves therefor and that all eliminated assets will remain the property of the bank.

"The Board feels, as has been stated in the case of other proposed capital adjustments, that where, as in this instance, ample funds will be available, the eliminations should include at least the estimated losses and depreciation in securities in the lower grades."

Approved.

Letter 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 Citizens National Bank of Athens', Athens, Tennessee, from $75,000 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 unsatisfactory assets in the amount of approximately $16,732 and to augment the surplus account in the amount of approximately $8,268, all as set forth in Acting Comptroller Awalt's letter of May 26, 1934."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Clearwater', Clearwater, Florida, from $200,000 to $100,000, in accordance with 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 a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's letter of May 23, 1934."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of the 'Palmer-American National Bank of Danville', Danville, Illinois, from $300,000 to $100,000, pursuant to a plan which provides that the bank's capital shall be increased by $200,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a portion of the surplus and undivided profits and approximately $80,000 to be made available by collections on unsatisfactory assets or by local contributions, shall be used to eliminate unsatisfactory assets in the amount of approximately $411,811, all as set forth in Acting Comptroller Awalt's memorandum of May 24, 1934."

Approved.

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

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First-Merchants National Bank of La Fayette', La Fayette, Indiana, from $325,000 to $25,000, pursuant to a plan which provides that the bank's capital shall be increased by $500,000 of Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and $225,000 Class 'B' stock to be sold to local interests, and that the released capital, together with a portion of the surplus and undivided profits and approximately $50,000 to be made available by a voluntary cash contribution, shall be used to eliminate unsatisfactory assets in the amount of approximately $413,000, all as set forth in Mr. Awalt's memorandum of May 28, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected, it has been noted that securities depreciation unprovided for, if considered as a loss, would result in a material impairment of capital. There will also remain in the bank a heavy aggregate of slow and doubtful assets. 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 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 Harvey', Harvey, Iowa, from $25,000 to $10,000, pursuant to a plan which provides that the bank's capital shall be increased by $40,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate unsatisfactory assets in the amount of approximately $10,000 and to establish a reserve for contingencies of approximately $5,000, all as set forth in Mr. Awalt's memorandum of May 24, 1934.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that the management of the bank was subject to severe criticism by your examiner at the time of the last examination, and that, apparently, no change in such management is contemplated. 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.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'First National Bank of Barron', Barron, Wisconsin, from $25,000 to $15,000, pursuant to a plan which provides that the bank's capital shall be increased by $25,000 of class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and $10,000 class 'B' preferred stock to be sold to local interests, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets which are to remain the property of the bank, all as set forth in Mr. Awalt's memorandum of May 25, 1934."

Approved.

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

"In accordance with your recommendation, the Board will interpose no objection to the proposed reduction in common capital stock of the 'Guaranty Bond State Bank', Mt. Pleasant, Texas, from $60,000 to $40,000, pursuant to a plan which provides that the bank's capital shall be increased by $25,000 of capital debentures to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to create a surplus of $5,000 and to charge off losses shown in the report of examination as of February 17, 1934, all as set forth in your letter of May 23, 1934."

Approved.

Telegram dated June 5, 1934, approved by five 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, 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 Bismarck", Bismarck, 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 one hundred thousand dollars ($100,000) and to reduce the bank's common stock from two hundred thousand dollars ($200,000) to one hundred fifty thousand dollars ($150,000) and to make such amendments to the bank's articles of association and to take such other action as is necessary to effect 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 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, also dated June 5, 1934, and approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with the recommendation of Acting Comptroller of the Currency Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Bismarck', Bismarck, North Dakota, from $200,000 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, that a contribution of $80,000 will be made to the bank's undivided profits account, and that the released capital shall be used to eliminate unsatisfactory assets or to establish reserves therefor, all as set forth in Acting Comptroller Awalt's memorandum of May 18, 1934.

"In this connection, the Board feels that where, as in this instance, ample funds are available, it would be preferable if provision were made for the elimination of at least all estimated losses and depreciation in securities in the lower grades, rather than to carry such unsatisfactory assets in the bank, even though offset by reserves, unless such reserves are specifically allocated to and deducted from the respective accounts in all published statements of condition. It is assumed, however, that your office will require such charge-offs as may be found desirable and practicable when the adjustments are consummated."

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "American National Corporation", Portland, Oregon, 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 National Bank of Commerce of Astoria", Astoria, Oregon, and "The American National Bank of Portland", Portland, Oregon, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any meeting of the shareholders of each of such banks, or at any adjournment thereof, at any time prior to August 1, 1934, to act upon a proposal or proposals to effect the liquidation of that bank."

The telegram requested that the agent advise Mr. W. C. Bristol, Portland, Oregon, attorney for The Anglo California National Bank of San Francisco, that the Board is not required to, and does not, determine the merits of differences existing between his client and the applicant, but that before authorizing the issuance of this limited voting permit, the Board gave careful consideration to his letter dated October 3, 1933, addressed to the Board, and his letter dated May 16,

1934, addressed to the Federal Reserve Bank of San Francisco, and was not convinced by such letters that the public interest required the denial of the applicant's request for a limited permit. The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the American National Corporation, a limited voting permit in accordance with the telegram.

Approved.

Telegram dated June 5, 1934, approved by five members of the Board, to Mr. Edwin S. Mack of Miller, Mack & Fairchild, Milwaukee, Wisconsin, reading as follows:

"On basis information furnished by you Board is of opinion that if and when trust agreement, copy of which was forwarded with your letter of June 1, becomes effective, First Wisconsin National Bank of Milwaukee will not be affiliated with First Wisconsin Company within meaning of Section 20 of Banking Act of 1933 provided that majority of directors of Company are not directors of Bank, and that trustees are in fact independent of control both by Bank and by Wisconsin Bankshares Corporation. Board is not passing upon validity of trust or effect on trust of any section of State or Federal law other than Section 20, Banking Act of 1933."

Approved.

Memorandum dated June 1, 1934, from Mr. Smead, Chief of the Division of Bank Operations, referring to the Board's approval on May 18 of the changes recommended in the form to be used at the time of the next call for reports of condition of State member banks, and recommending that the form be further amended so that balances due from member banks will be reported separately from balances due from nonmember banks. The memorandum stated that the proposed change has been tentatively agreed upon with the office of the Comptroller of

the Currency, subject to the Board's approval, and that the change is suggested partly in order to provide data for use in comparing required reserves of member banks under the present law with proposed required reserves under the so-called "velocity plan" which has been recommended to Congress by the Board.

Approved.

Telegram dated June 5, 1934, approved by five members of the Board, to the governors of all Federal reserve banks except Minneapolis, reading as follows:

"Governor Geery has suggested that Board call a conference of officers of all Federal reserve banks who have immediate charge and supervision of all failed bank operations and accounting for purpose of arriving at uniformity in the policy of reserve banks in absorption of expenses of collection of paper of closed banks, in charging interest on such paper, and in accounting and reporting in connection therewith. Mr. Peyton has also suggested that certain complications in connection with the handling of Other Real Estate could best be ironed out in such a conference. Please advise by wire whether you favor calling such conference, and furnish list of topics you would suggest be placed on program provided conference is held. If conference is called Board feels that it should consider other accounting problems, particularly those relating to fiscal agency custodianship and depositary expenses and reimbursements therefor on account of U S Treasury and other Governmental agencies (Board's letter B-941 of December 29, 1933 and replies thereto) If conference is held it would seem that it should be attended by a senior officer who is familiar with bank's policy with regard to above subjects and able to discuss in detail these and other accounting problems and policies relating thereto, which reserve banks or Board might desire to place on program."

Approved, together with a similar telegram to Governor Geery of the Federal Reserve Bank of Minneapolis.

Letter dated June 5, 1934, approved by five members of the Board, to Shearman & Sterling, attorneys and counselors at law, 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 your letter of January 15, 1934, relating to the payment of interest on deposits by the branch of The National City Bank of New York located at San Juan, Puerto Rico; and we regret to find that no reply has as yet been made to the letter.

"You inclose a copy of an opinion of the Attorney General of Puerto Rico addressed to the Secretary of the District Court at San Juan, Puerto Rico, advising that the prohibition of Section 11 of the Banking Act of 1933 on the payment of interest on deposits payable on demand does not apply to the Puerto Rico branch of The National City Bank. As indicated in the Federal Reserve Board's Regulation Q, deposits of moneys paid into courts by private parties pending the outcome of litigation are not deposits of public funds made by or on behalf of any State, county, school district or other subdivision or municipality within the meaning of Section 19 of the Federal Reserve Act; and it is the view of the Federal Reserve Board that the restrictions contained in Section 19 of the Federal Reserve Act upon the payment of deposits and interest thereon by member banks are applicable to deposits payable at an office of The National City Bank of New York located in Puerto Rico. The Federal Reserve Board, accordingly, is unable to agree with the view expressed by the Attorney General of Puerto Rico in this connection and is of the opinion that the bank may not lawfully pay interest at its Puerto Rico branch on demand deposits of moneys paid into courts by private parties pending the outcome of litigation.

"It is observed from your letter that you assume that The National City Bank may lawfully pay interest on deposits of public funds made on behalf of Puerto Rico or of municipalities thereof and that for this purpose Puerto Rico has the status of a State within the meaning of Section 19 of the Federal Reserve Act. The Federal Reserve Board has not expressed an opinion on this point but as an aid in the Board's consideration of the matter the Board will be glad to have you submit your views as attorneys for The National City Bank of New York if you care to do so."

Approved.

Telegram dated June 5, 1934, approved by four members of the Board, to Mr. H. B. Wells, Bank Supervisor, Indianapolis, Indiana, reading as follows:

"Your night letter June first. Board's regulation fixing

"limit of three percent per annum compounded semiannually upon interest that may be paid by member banks of Federal reserve system on time and savings deposits was made after careful survey of rates of interest paid by banks throughout the country and Board does not contemplate reducing such maximum limit in the near future. There is nothing in section 19 of the Federal Reserve Act as amended by the Banking Act of 1933 or in the considerations which led to the adoption of the Board's regulations thereunder fixing the three percent limit that would prevent any bank or group of banks from fixing lower maximum rates, and many banks have taken such action as a matter of sound banking policy. There is likewise nothing to prevent any State banking authority within the scope of its powers from taking such action"

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of May 25, 1934, with inclosures, with regard to the practice of the Union Planters National Bank and Trust Company of Memphis, Tennessee, in respect to balances of the trust department carried in the commercial department of the bank.

"It is understood from the information submitted that the trust department of the bank deposits in the commercial department small amounts which it is unable to invest; that as a matter of bookkeeping and in order to show the cost and profit in operating the several departments of the bank there is credited to the trust department 2 per cent of the average balances carried in the commercial department by the trust department; that no part of the amount thus credited to the trust department is, directly or indirectly, paid or credited to any trust estate or beneficiary thereof; and that the trust department in turn pays over to the bank all earnings of the department.

"On the basis of these facts, it appears that the crediting to the trust department of 2 per cent of its average balances with the commercial department is merely a bookkeeping transaction, and, since no part of the amount is paid or credited to any person other than the bank, it is the view of the Board that no payment of interest within the meaning of Section 19 of the Federal Reserve Act is involved. However, in a case of this kind especial care should be taken to comply with the provisions of Section VIII(a) of the Board's Regulation F in order that the officials of the trust department, in an endeavor to increase

"the apparent earnings of the department, may not keep balances of trust funds uninvested and on deposit in the commercial department for a longer time than is reasonably necessary."

Approved.

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

"Receipt is acknowledged of your letter of May 16, 1934, together with its inclosures, in regard to the action proposed to be taken by The Toledo Trust Company, Toledo, Ohio, in order to comply with the requirement of section 9 of the Federal Reserve Act that after June 16, 1934, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, subject to certain exceptions not here pertinent, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

"From the information submitted to the Board, it is understood that all of the stock of the Toledo Corporation (hereinafter called the Corporation) is trusteed for the benefit of the shareholders of The Toledo Trust Company (hereinafter called the Bank) and that the beneficial interests of the Bank shareholders in the stock of the Corporation are evidenced by appropriate indorsement on their Bank stock certificates. In order to comply with the requirement of law aforesaid, the Bank proposes to issue and exchange for its certificates of stock now outstanding new certificates in the same form as the old certificates except that the indorsement evidencing the rights of the holders thereof in the stock of the Corporation will be eliminated. In lieu of such indorsement, the trustees will issue certificates of participation in the assets of the trust and thereafter such certificates and the shares of Bank stock may be owned, sold, or transferred entirely independently of each other.

"It is further understood that the trustees holding the stock of the Corporation have passed an appropriate resolution declaring that it is desirable and the Corporation does elect to wind up and dissolve, as provided in section 8623-79(c) of the General Corporation Act of Ohio, but that the filing with the Secretary of State of certain formal papers required by the statute has been deferred because the Bank does not desire to take such action and publicize the proposed dissolution until after it is assured of the Board's approval of the plan for the liquidation of the Corporation. It is stated, however, that the requisite documents will be filed as soon as the Board's

"approval of the plan is given, and it has been noted that, in the opinion of counsel for your bank, upon the filing of such documents the Corporation will be legally dissolved and thereafter will exist only for the purpose of liquidation and may transact no business except such as may be incidental to the liquidation of its business and affairs. The liquidation of the Corporation will be under the supervision of its board of directors, subject to control by the court, and such board will consist of three stockholders of the Bank who own, respectively, 100, 40, and 240 shares of stock of the Bank. No one of such directors is an officer or director of the Bank.

"If the above described plan is consummated substantially in accordance with its terms, it is the view of the Board that thereafter the stock of the Bank will not represent the stock of the Corporation, nor will its ownership, sale, or transfer be conditioned in any manner upon the ownership, sale, or transfer of the stock of the Corporation. Moreover, if the Corporation is placed in formal liquidation in accordance with the procedure set forth in the General Corporation Act of the State of Ohio, section 8623-79, et seq., it will not thereafter be an 'affiliate' of the Bank within the purview of those provisions of section 9 of the Federal Reserve Act which require the furnishing and publication of reports, and the examination, of affiliates of State member banks. Parenthetically, it may be stated that the Board has been advised that the Corporation is not engaged principally in the issue, flotation, underwriting, public sale or distribution of securities and is not within the scope of section 20 of the Banking Act of 1933.

"The Board has considered the documents which the Bank proposes to use in connection with the separation of the stock of the Bank and the stock of the Corporation, and finds no objection to the same, except as hereinafter indicated. In a letter from counsel for your bank under date of May 26, 1934, it was stated that it was believed an amendment should be made to the joint communication of the trustees and the Bank to the stockholders of the Bank by revising the first full paragraph on page 4 of said joint communication, and that the certificate of participation should provide that 'the term "shareholders" as used in said trust agreement means holders of certificates of participation and all rights of and charges against shareholders under said trust agreement shall inure to and be imposed upon the holders of certificates of participation'. The Board favors the substance of the changes proposed to be made in such instruments by counsel for your bank, but believes that the revision of the first full paragraph on page 4 should contain additional language indicating clearly that the shares of stock of the Bank and the interests of the shareholders in the stock of the Corporation shall no longer be 'irrevocably inseparable', as provided in the trust agreement, and suggests that such paragraph be

"revised to read as follows:

'Under the plan herein outlined, the trust agreement of September 9, 1929, and all its terms, provisions, options and conditions will continue in full force except that new and separate certificates of participation will evidence the rights in stock of Toledo Corporation, in lieu of the indorsements on the certificates for bank stock now outstanding; such certificates of participation and shares of stock of the Bank may be owned, sold, or transferred independently of each other; the interest in stock of Toledo Corporation will be in accordance with the terms of the certificates of participation, specimen form of which is inclosed herewith; and the option of the Bank to buy from the Trustees the stock of Toledo Corporation will be terminated by appropriate agreement between the Bank and the Trustees.'

"The Board also feels that it is desirable that the sentence which counsel suggests should be inserted in the certificate of participation should read as follows:

'The term "shareholders" as used in said trust agreement shall mean holders of certificates of participation and all rights of and charges against shareholders under said trust agreement, as modified by a certain joint communication by the Trustees and The Toledo Trust Company to the shareholders of said Bank dated _____, 1934, shall inure to and be imposed upon the holders of certificates of participation.'

"It has been observed that since the enactment of the Banking Act of 1933 the Bank in certain instances has extended credit to the Corporation and to the subsidiaries of the Corporation in amounts in excess of the limits prescribed by section 23A of the Federal Reserve Act, and that certain of these loans were unsecured, in violation of the provisions of that section. Inasmuch as such loans were unlawful when made, it is the view of the Board that the Bank should take such action as may be necessary to reduce all such loans or obtain adequate security for the same, as soon as practicable.

"The Board has also noted that the Bank failed to furnish and publish reports of the subsidiaries of the Corporation pursuant to the Board's early calls for reports of member banks and affiliates, but understands that the Bank acted in good faith in reliance upon an opinion by its counsel that the subsidiaries of the Corporation were not affiliates of the Bank. On the basis of that understanding and of your recommendation that this is not a case in which the penalties provided in section 9 of the Federal Reserve Act should be collected, the Board will not take any action with a view to subjecting the Bank to any penalties for its failure to comply with the provisions of law in question.

"The Board has not had an opportunity to review in detail the report of examination of the Bank as of March 23, 1934, but will write you in regard to that report at a subsequent date

"if it appears to be necessary or desirable to comment thereon."

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 22, 1934, inclosing a copy of S. 3651, entitled 'A Bill To amend the Federal Reserve Act and sections 5197 and 5136 of the Revised Statutes, as amended by the Banking Act of 1933, and for other purposes', and requesting a report thereon.

"The first section of the bill would amend the last two paragraphs of section 19 of the Federal Reserve Act, which relate to the payment of interest on deposits, and the Board believes that the enactment of such amendment would be in the interest of the member banks of the Federal Reserve System. The inflexibility of the provisions of section 19 regarding the payment of interest on deposits has caused hardships in certain instances to member banks and to their depositors and has created a number of difficulties in connection with the administration of such provisions. For the reasons set forth hereinafter, it is believed the amendment proposed in S. 3651 will eliminate the objectionable features of such provisions and at the same time will serve to further the purposes of the present law.

"In order that the provisions of the last two paragraphs of 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', 'deposits payable on demand', and 'trust funds'. 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. S. 3651 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. S. 3651 would accomplish this purpose.

"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. S. 3651 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. Such an amendment would except from the 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.

"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, it approves of the amendment in S. 3651 which 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'.

"S. 3651 also 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 should be noted that the proposed revision of the last two paragraphs of section 19 does not provide any penalty for a violation of the provisions of those two paragraphs. Under section 30 of the Banking Act of 1933, however, the Federal Reserve Board is authorized, upon certification by the Comptroller of the Currency or the Federal Reserve Agent, as the case may be, to remove any director or officer of a national bank or State member bank who shall have continued to violate any law relating to such bank or shall have continued unsafe or unsound practices in conducting the business of such bank, after having been warned to discontinue such violations of law or such unsafe or unsound practices, and it is the view of the Board that it should have like power to remove directors or officers of State nonmember banks whose deposits are insured under the provisions of section 12B of the Federal Reserve Act, upon certification by the Federal Deposit Insurance Corporation. Accordingly, it is suggested that there be added to the paragraph on page 3 of S. 3651 at line 25 the following sentence:

'Any director or officer of any bank who shall have continued to violate the provisions of this or the preceding paragraph or the rules or 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: Provided, That, in the case of a director or officer of a nonmember bank, the warning and certification provided for therein shall be given by the Federal Deposit Insurance Corporation.'

"Section 2 of the bill would amend the first two sentences of section 5197 of the Revised Statutes so as to authorize a branch of a member bank located outside of the United States to charge a rate of interest equal to the 'rate allowed by the laws of the country, territory, dependency, province, dominion, insular possession, or other political subdivision where the branch is located'. For reasons similar to those set forth in the fourth paragraph of this letter the Board believes that such an amendment is desirable.

"Section 3 of the bill would amend the seventh paragraph

"of subsection (1) of section 12B of the Federal Reserve Act so as to exclude, in any determination of the insured deposit liabilities of any closed bank or of the total deposit liabilities of any bank which is a holder of Class A stock of the Federal Deposit Insurance Corporation, the amounts of all deposits of such bank which are payable only at an office thereof located outside of the States of the United States and the District of Columbia. It is believed that such an amendment would be in harmony with the present purpose of the section to exclude deposits payable only at an office thereof located in a foreign country. In addition, it is not believed to be desirable that banks located in the United States should be required to contribute to the satisfaction of losses incurred by banks located outside the United States.

"Section 4 of the bill would amend section 23A of the Federal Reserve Act, which prescribes certain limitations and restrictions as to extensions of credit by member banks to their affiliates, and as to investments by member banks in, and loans on, obligations of their affiliates. The last paragraph of section 23A exempts from the provisions of that section certain classes of affiliates, including any affiliate 'engaged solely in holding the bank premises of the member bank with which it is affiliated'. The proposed amendment would strike out the word 'solely' in the phrase quoted, so that the exemption would not be limited to an affiliate engaged 'solely' in holding the premises of an affiliated member bank.

"It is the view of the Board that such an amendment should not be adopted, because it would relax the provisions of Section 23A which are designed to restrict certain unsound banking practices formerly existing to an extent which is clearly undesirable. For example, prior to the enactment of Section 23A it was the practice of member banks to create affiliated corporations to deal in or hold real estate other than the bank's own premises. This is believed to be an unsound and dangerous practice and the proposed amendment would probably result in the perpetuation of that practice.

"Of even more serious consequence is the fact that the amendment would make it possible for a bank desiring to have an affiliate which is not subject to the limitations of Section 23A to evade the law by causing the transfer to the affiliate of the bank premises. Thereafter, under the proposed amendment, the member bank could continue to operate and deal with such affiliate without regard to the provisions of Section 23A. It is impossible to prophesy how far the banks would go in utilizing an affiliate engaged in holding the bank premises for other purposes, and the enactment of this amendment, therefore, might virtually destroy the effectiveness of section 23A. Accordingly, the Board does not favor its enactment.

"Section 4 of the bill would also amend the last paragraph of section 23A so as to make the provisions of that section inapplicable to any subsidiary of an affiliate in whose capital stock a national banking association may invest pursuant to section 25 of the Federal Reserve Act, and to any subsidiary of an affiliate organized under section 25(a) of that Act, in any case in which more than 90% of the stock of the subsidiary is owned by the affiliate. In effect, the proposed amendment would exempt altogether from the provisions of section 23A a subsidiary of an affiliate of the kind referred to, if the affiliate should own more than 90% of the stock of such subsidiary, regardless of the character of the business engaged in by the subsidiary.

"It is the Board's view that there is no proper basis for excepting organizations merely by reason of the fact that they are subsidiaries of a corporation in the capital stock of which national banks are authorized to invest pursuant to section 25 of the Federal Reserve Act or of a corporation organized under section 25(a) thereof. It is to be observed that the proposed exception in favor of such organizations would not be based upon the character of business in which they are engaged but merely upon the fact that they are subsidiaries of corporations of the kind mentioned. It is believed to be neither logical nor proper to except a subsidiary of an affiliate of the kind referred to when the provisions of section 23A would remain applicable to other affiliates of the member bank which may be engaged in the same kind of business as the subsidiary excepted. The provisions would remain applicable to such affiliates even though their entire capital stock is directly owned by the member bank.

"For the reasons indicated, the Federal Reserve Board does not favor the enactment of the amendments contained in section 4 of S. 3651.

"Section 5 of the bill would amend paragraph 'Seventh' of section 5136 of the Revised Statutes so as to authorize national banking associations to underwrite investment securities, subject to the limitations now applicable under that section to the purchase of investment securities by national banks. It is believed that an amendment which would permit national banks to underwrite investment securities would provide a new source of credit for financing capital issues and would aid in the stimulation of business, and, accordingly, the Board is in favor of an amendment which would permit national banks to contract for the purchase of investment securities, subject to proper safeguards as to the exercise of such power. However, it is the view of the Board that such authority should not be given to national banks unless they are forbidden to engage in the distribution of investment securities and are prohibited from selling securities so acquired except on the open market through brokers or dealers."

Approved, together with a draft of a similar letter to Senator Fletcher, prepared for the signature of the Secretary of the Treasury in accordance with a request received under date of May 28, 1934, from Mr. William H. McReynolds, Administrative Assistant to the Secretary.

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 of May 18, 1934, from the Acting Clerk of your Committee, in which a report is requested on S. 3636 entitled 'A bill relating to dividends and surplus of national banking associations'. The bill would require a national bank before being authorized to commence business to have a paid-in surplus equal to 20 per cent of its capital stock with certain exceptions and would also require such a bank before the declaration of a dividend to carry one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall equal its capital stock.

"The proposed amendment would affect national banks only and would have no direct effect on State banks which are members of the Federal Reserve System. Accordingly, the question of the desirability of the enactment of the bill S. 3636 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 Mr. Ralph C. Gifford, President of the Kentucky Title Trust Company, Louisville, Kentucky, reading as follows:

"This refers to your letter of May 16, 1934, in which you request to be advised whether the issuance by your bank of certain 'real estate debenture securities' is affected by the provisions of the Banking Act of 1933.

"It is understood that the Kentucky Title Trust Company makes loans secured by first mortgages on improved real estate and that the obligations secured by such mortgages are assigned to one of two corporate trustees, in accordance with the terms of a trust agreement, to secure the payment of bonds of your bank which are sold to the public. From an examination of the copy of the trust agreement and of the sample copy of the mortgage bonds issued by your bank pursuant to such agreement, it

"also appears that these bonds are issued serially in denominations of $100.00, $500.00 or $1000.00 each, that the bonds bear interest payable semiannually, that the bonds are negotiable, that such bonds are direct obligations of your bank and that in addition to obligations secured by mortgages certain securities of specified classes may be deposited with the trustee to secure the payment of such bonds. You have also advised that such outstanding bonds at one time amounted to approximately $13,000,000 and at this time amount to approximately $8,000,000.

"The Board understands that the Kentucky Title Trust Company is affiliated with the First National Bank, Louisville, Kentucky, within the meaning of Section 2(b) of the Banking Act of 1933. In view of this fact, your attention is called to Section 20 of the Banking Act of 1933, which prohibits a member bank from being affiliated with corporations 'engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities', after June 16, 1934. On the basis of the facts presented therefore, it appears that it will be necessary for the Kentucky Title Trust Company to take appropriate steps to comply with the provisions of Section 20 of the Banking Act of 1933. For your information there is inclosed herewith a copy of the Federal Reserve Act on pages 114 and 115 of which you will find the provisions of Section 20 of the Banking Act of 1933 and on page 114 you will find the definition of an affiliate referred to in Section 20.

"Of course, the question whether a particular organization is engaged 'principally' in the business of issuing or dealing in securities within the meaning of this section is essentially a question of fact which must be decided on the basis of all the circumstances involved in each particular case, but, since it appears from the last report of examination of the Kentucky Title Trust Company that its outstanding bonds amounted to approximately $8,729,000 as compared with deposits amounting to approximately $3,161,512, it would seem that your company should properly be considered as principally engaged in issuing securities. However, if you so desire, you may submit to the Federal Reserve Agent at the Federal Reserve Bank of St. Louis any additional facts on this point that you deem appropriate and he will advise the Board thereof.

"Your attention is also called to the fact that Section 21(a) of the Banking Act of 1933 makes it unlawful after June 16, 1934, for any ' * * * corporation * * * engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, * * * stocks, bonds, debentures, notes, or other securities * * * to engage at the same time to any extent whatever in the business of receiving deposits * * *'. This section provides a penalty of fine or imprisonment for violation of its provisions and the interpretation

"of the provisions of such section is a matter entirely within the jurisdiction of the Department of Justice. Accordingly, the Board does not attempt to rule upon questions arising under this statute or other statutes the violation of which is subject to criminal prosecution; but the provisions of Section 21(a) are called to your attention for consideration as to whether, after June 16, 1934, the business transacted by your company would be in violation of that section. The provisions of Section 21(a) of the Banking Act of 1933 may be found on pages 169 and 170 of the inclosed copy of the Federal Reserve Act.

"It is understood that the directors of the Kentucky Title Trust Company are also serving as directors of the First National Bank of Louisville, Kentucky. In this connection, your attention is called to the provisions of Section 32 of the Banking Act of 1933 with regard to interlocking directorates or other relations between a member bank and an organization engaged primarily in the business of purchasing, selling, or negotiating securities, for your consideration in working out the problems involved in your case by reason of the provisions of Sections 20 and 21(a) referred to above. The provisions of Section 32 of the Banking Act of 1933 are set out on pages 127 and 128 of the inclosed copy of the Federal Reserve Act. There is also inclosed for your information in this connection a copy of the Board's Regulation R with regard to relationships covered by Section 32."

Approved.

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

"This refers to a letter to Mr. W. H. Dillistin, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, dated May 2, 1934, from Mr. W. A. Rush, Vice President and Secretary of the Bank of the Manhattan Company, New York City, a copy of which was inclosed in a letter to the Board from Mr. Dillistin, dated May 3, 1934. Mr. Rush's letter deals with the question whether the New York Title & Mortgage Corporation is an affiliate of the Bank of the Manhattan Company within the definition of an affiliate in section 2 of the Banking Act of 1933.

"By reason of the provisions of subsection b(2) of section 2 the New York Title & Mortgage Corporation is an affiliate of the Bank if it is controlled by shareholders among whom are persons owning or controlling either a majority of the outstanding shares of the Bank or more than 50 per centum of the number of shares voted for the election of directors of the Bank at the preceding election. It is understood that as of December 15, 1932, the stock of the New York Title & Mortgage Corporation was distributed to the stockholders of the Bank of the Manhattan

"Company so that for a time at any rate the Corporation was an affiliate of the Bank within the above mentioned provisions of subsection b(2).

"Mr. Rush indicates that because of the large number of stockholders of the Bank there is great practical difficulty in ascertaining whether, among the stockholders of the Corporation, there are persons who own or control either a majority of the shares of the Bank or more than 50 per cent of the number of shares of the Bank voted for the election of its directors at the last election, which, it is understood, was held in December, 1933. The difficulty arises from the computation necessitated by the statute, and it must be obvious that the consequences, which by the statute are predicated upon the affiliation, may not be ignored because of the difficulty in ascertaining that the affiliation exists.

"Mr. Rush also states in the last sentence of his letter that in view of the fact that the New York Title & Mortgage Company, a wholly owned subsidiary of the New York Title & Mortgage Corporation, is now in rehabilitation and that the shares of its stock constitute substantially all of the assets of the Corporation, the question whether the Corporation is an affiliate of the Bank 'would appear to be academic'. The Board is unable to agree with this conclusion of Mr. Rush. The nature of the rehabilitation of the New York Title & Mortgage Company is an important factor in determining whether or not that Company is an affiliate of the Bank, but the rehabilitation of the Company is not significant in determining whether the Corporation is an affiliate of the Bank. The facts disclosed by Mr. Rush indicate that in his opinion it is not important that reports of condition of the Corporation be submitted and published since such reports would disclose little except the ownership of the stock of the Company, but no exception of this nature is justified under the provisions of section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, which require the furnishing and publication of reports of all affiliates other than member banks.

"The responsibility for determining the existence of its affiliates rests squarely upon the member bank and in order that the Bank may not be misled by the absence of a reply to the statements made in Mr. Rush's letter the Board requests you to advise the Bank of the substance of this letter and to point out that if the Corporation is in fact an affiliate of the Bank the only way in which the Bank may avoid becoming subject to the penalty prescribed by the seventeenth paragraph of section 9 is to comply with the provisions of that section by obtaining and furnishing the reports called for. You are also requested to keep the Board advised of the steps which the Bank takes to insure a full compliance with the law."

Approved.

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

"Receipt is acknowledged of your letter of May 23, in which you say that in a recent credit investigation of the Fidelity Savings State Bank, Topeka, Kansas, it was developed that this member bank was affiliated with the Farmers State Bank, Bucklin, Kansas, and the Plains State Bank, Plains, Kansas, but that no reports had been submitted by the member bank for these affiliates. In cases of this kind where a member bank fails to submit and publish an affiliate's report because the existence of an affiliation has not been recognized or determined, and where there is no evidence of an attempt to evade the law, no practical purpose appears to be served by publication of reports as of dates anterior to the current call date, except as a disciplinary measure.

"Since you have notified the member bank that it will be necessary for it to submit and publish reports of its affiliates at the time of the next call for condition reports by the Federal Reserve Board, and since it is your opinion that the member bank was not aware of the existence of the affiliation, the Board approves your recommendation that the reports of these affiliates be not required for past call dates.

"It appears from information which you supplied to the Board in the past, that, besides the banks mentioned, there are also the following which comprised all together a chain of banks controlled by J. H. Collingwood and family:

State Bank of Pretty Prairie	Pretty Prairie
Farmers State Bank	Sabetha
Copeland State Bank	Copeland
Satanta State Bank	Satanta
Kaw Valley State Bank	Topeka

"It will be appreciated if you will inform the Board as to the present status of this chain, and whether any banks other than the Farmers State Bank, Bucklin, and the Plains State Bank, Plains, which may belong to the chain, are affiliates of the Fidelity Savings State Bank under the terms of the Banking Act of 1933."

Approved.

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

"With reference to affiliates' reports submitted by State member banks in your district in response to the Board's call of March 5, 1934, we desire to call your attention to the following:

"American Trust Company, San Francisco. On the copies of Form 220 submitted by this member bank for its affiliates, the reverse of the form is filled out only by the affiliates controlled by the member bank and its direct holding company affiliate, the American Company. It will be appreciated if in the future the detailed information required on the reverse of the form as well as the general description of the affiliation given on the face of the form is furnished for all affiliates. In this respect it is noted that the reports of the Atlas Corporation, the Pacific Eastern Corporation, and the American Company do not show the number of shares of the American Company and the Pacific Eastern Corporation involved in the Atlas Corporation's indirect control of the American Trust Company.

"First Security Bank of Idaho, Boise, Idaho. This member bank submits reports on Forms 220 and 220-a of its two member bank affiliates, the First Security Bank of Utah, N. A., Ogden, Utah, and the First National Bank, Salt Lake City, Utah. There is of course no objection to submission and publication by a member bank of reports of its affiliated member banks, but it is suggested that you make sure, if you have not already done so, that the member bank is not under the impression that it is required to submit and publish such reports. The member bank also submits and publishes reports of certain affiliates in liquidation, which as stated in the instructions accompanying the forms is unnecessary.

"Twin Falls Bank & Trust Company, Twin Falls, Idaho. On the face of Form 220 as executed for the Home Loan Company, an affiliate of this member bank, it is indicated that the bank and the Home Loan Company are affiliated by virtue of the fact that the stock ownership of the two is identical. This being the case the answer under item 5 on the reverse of the form should be 'Yes' in the case of at least one of the sub-items (a), (b) and (c). In the published report certain items are omitted. As stated in the instructions on the reverse of Form 220-a all the items should be included in the printed report and the word 'None' should be used in the cases where there are no amounts to be reported.

"Farmers and Merchants Bank, Provo, Utah. In the published report of the General Assets Company, an affiliate of this member bank, the item 'Stock of other banks owned' is omitted. As stated in the instructions on the reverse of Form 220-a all items should be included in the published report and the word 'None' should be used in cases where no amounts are to be reported.

"Utah Savings & Trust Company, Salt Lake City, Utah. This member bank reports its holding company affiliate, the Corporation of the President of the Church of Jesus Christ of Latter-day Saints, and four affiliates, namely, Zion's Savings Bank & Trust Company, Utah Savings & Trust Safety Deposit Company, Utah

"Savings & Trust Abstract Company, and Utah Savings & Trust Building Company. It appears however from the information supplied in connection with the application of this member bank's holding company affiliate for a voting permit that the holding company affiliate also owns the following subsidiaries:

Utah State National Bank	Temple Square Hotel
Beneficial Life Insurance Company	Zion's Securities Corporation
Layton Sugar Company	
Utah Hotel Company	Deseret News Publishing Co.

"Since these subsidiaries are owned by the Corporation which is the controlling shareholder of the member bank, it would appear that they were affiliates of the member bank under the terms of Section 2 (b) (2) of the Banking Act of 1933, and should be so reported.

"Coffman-Dobson Bank & Trust Company, Chehalis, Washington. In the heading of the report submitted on Forms 220 and 220-a by this member bank for its affiliate, the Coffman-Dobson Investment Company, the latter is described as a holding company affiliate. Since it appears from the information furnished elsewhere on Form 220 that the affiliate owns no stock of the bank, and exercises no control over it, it should be described as an affiliate and not as a holding company affiliate.

"It is not considered necessary at this time that reports be republished in corrected form, but it is desired that the points which have been mentioned be brought to the attention of the member banks concerned for their guidance in the preparation and publication of reports submitted in response to future calls.

"We appear not to have received proof of publication on Form 220-a of the affiliates' reports for the following State member banks:

Commercial Bank of	Spanish Fork, Utah
State Bank of Wilbur	Wilbur, Washington
Spokane & Eastern Trust Company	Spokane, Washington"

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"The Federal Reserve Board has received Mr. McRae's letter of May 18, 1934, concerning the application of Mr. F. Winchester Denio under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a vice president and director of the Everett Bank and Trust Company, Everett, Massachusetts, and as vice president of The First of Boston Corporation of

"Massachusetts, Boston, Massachusetts.

"It appears from Mr. Denio's letter of May 18, 1934, and from the extract from the minutes of a special stockholders' meeting that The First of Boston Corporation of Massachusetts has been placed in formal liquidation, and that it will not transact any new business.

"In view of the above facts, the Board agrees with Mr. McRae's suggestion that no permit under Section 32 is required covering Mr. Denio's service to the above named institutions, and it will be appreciated if you will advise him accordingly."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"The Federal Reserve Board has received Mr. McRae's letter of May 28, 1934, concerning the application of Mr. Edwin R. Marshall under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as an officer and director of the Boulevard Trust Company of Brookline, Brookline, Massachusetts, and as an officer and director of the First of Boston Corporation of Massachusetts, Boston, Massachusetts.

"It appears from Mr. Marshall's letter of May 25, 1934, that The First of Boston Corporation of Massachusetts has been placed in formal liquidation, and that it will not transact any new business.

"In view of the above facts, the Board agrees with Mr. McRae's suggestion that no permit under Section 32 is required covering Mr. Marshall's service to the above named institutions, and it will be appreciated if you will advise him accordingly."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Ruel P. Pope, Vice President of the Beverly National Bank, Beverly, Massachusetts, reading as follows:

"The Federal Reserve Board has received your letter of May 25, 1934, concerning the application of Mr. Charles E. Ober under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as president and director of the Beverly National Bank, Beverly, Massachusetts, and as vice president and director of Stone & Webster and Blodget, Incorporated, New York,

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"New York, in charge of its Boston branch.

"The Board has considered the statements in your letter concerning the course of dealings between the bank and the securities company, and the value of Mr. Ober as an officer and director of the bank. Careful attention has also been given to your discussion of the general condition of the bank, the long association of the applicant with the bank, and the necessity of the bank obtaining advice in respect to its securities account, of a kind which the applicant is qualified to render.

"However, the action upon Mr. Ober's 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, and it is believed that permits should not be granted covering relationships of the type involved in his application, 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.

"The Board believes that your letter states no facts which would justify it in making an exception in Mr. Ober's case, and therefore has decided that his application should be denied."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Winslow Sears, Boston, Massachusetts, reading as follows:

"Your letter of May 17, 1934, addressed to Mr. Frederic H. Curtiss concerning your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of United States Trust Company and as a general partner of Sears & Company, both of Boston, Massachusetts, has been referred to the Federal Reserve Board.

"Careful attention has been given to the statements in your letter and in the letter of Mr. A. C. Ratshesky, chairman of the United States Trust Company, regarding your desirability as a director, and your continued interest in the welfare of the trust company. It has also been noted that the trust company purchases no securities through Sears & Company or through any partnership or corporation in which you have a financial interest. The Board has also considered your statement that Sears & Company is not now engaged in the flotation of new issues of securities, that it does not accept deposits from its customers, that neither it nor you borrow from the trust company, and that you are willing to agree to resign before any of the above mentioned transactions occur.

"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, and it is believed that permits should not be granted covering relationships of the type involved in your application, 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.

"The Board believes that your letter states no facts which would justify it in making an exception in your case, and therefore has decided that your application should be denied."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of May 11, 1934 in which you inclosed a proposed form of letter to be used by you in obtaining the information which the Board's letter of April 16, 1934 (X-7866) stated would be necessary in order to enable it to determine whether organizations engaged in the mortgage loan business, which are involved in pending applications under Section 32 of the Banking Act of 1933, are actually organizations of the kind referred to in that section, so that the Board may be in a position to determine whether the statute is applicable to the relationships described in the respective applications.

"The form of letter which you inclose includes a quotation from the body of the Board's letter of April 16, 1934 (X-7866) and asks that the information therein described be furnished to you in duplicate.

"The Board feels that the procedure which you propose is proper and has no objection to your writing letters in the form which you inclose.

"In addition to the information specifically described in the Board's letter of April 16, 1934 (X-7866), the Board would be glad to have any further information or comments which you feel should be furnished, and, in each case, the opinion of counsel for your bank upon the question presented."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Stewart S. Hathaway, President of the Institutional Securities Corporation, New York, New York, reading as follows:

"Under date of December 20, 1933, you addressed a letter to Governor Black of the Federal Reserve Board asking whether the Board would regard your corporation as a dealer in securities within the meaning of Section 32 of the Banking Act of 1933. After a conference with members of the Board's staff, you have written an additional letter dated May 7, 1934 giving further information regarding the nature of the business conducted by your corporation.

"From your letters it appears that your corporation was created for the purpose of purchasing mortgages from mutual savings banks in the State of New York in cases where it might be desirable, from the standpoint of the bank, to liquidate a percentage of its mortgage assets. All of the stock of your corporation is owned by such savings banks. Your corporation purchases mortgages from the savings banks, payment therefor being made partly in cash and partly by the issuance of Participating Debentures, an individual debenture certificate being issued in connection with each mortgage purchased. The amount paid for each mortgage is fixed by your corporation after an inspection and appraisal of the property covered. Mortgage papers consisting of original mortgage, bond, title memoranda, assignment to your corporation, and all other documents pertinent to the transaction are examined before the purchase is made.

"Your corporation is borrowing extensively from the Reconstruction Finance Corporation, on the security of the mortgages thus purchased, in order to supply itself with additional funds to make such purchases.

"Accordingly, it appears that your corporation is engaged principally in dealing in individual mortgages and obligations secured thereby. The Board believes that such obligations are not 'securities' within the meaning of Section 32. Therefore, upon the basis of the facts submitted, it is the opinion of the Board that Section 32 of the Banking Act of 1933 is not applicable to officers or directors of member banks who are serving as officers or directors of your corporation."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Federal Reserve Board has under consideration the application of Frederick J. Lisman under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Colonial Trust Company, New York, New York, and as officer and director of the Lisman Corporation, New York, New York.

"In its answer to Question 2 on F.R.B. Form 99a, the applicant states the general nature of the business of the Lisman Corporation to be the 'purchase and sale of securities for account of Lisman Corporation and for customers'. That company, in a rider attached to F. R. B. Form 99c, makes the following statement:

'The Lisman Corporation was formed in March 1931. It has not participated in any syndicate with the exception of forming one small private group in which only a very few people participated. The Corporation might, in the future, engage in the underwriting, flotation, and distribution of security issues when an opportunity arises which might appeal to the Board of Directors.'

"The Statement of that company on the same form shows that nearly one-half of its assets are composed of 'other bonds and securities'. This fact would seem to indicate that the phrase 'purchase and sale of securities for account of Lisman Corporation' may refer to transactions by that company as a retail dealer in securities; and in that event the relationship covered by the application would be within the scope of Section 32.

"Furthermore, Calvin Bullock's 'Security Dealers of North America (1934 edition) describes that corporation as:

'Dealers in Railroad, Public Utility, Foreign and Industrial Issues'.

It is understood from the remarks in the preface of that book that the foregoing statement is based on information submitted by the dealer in reply to a questionnaire issued by the publishers of the book.

"However, the Board does not believe that it has sufficient information to enable it to make a decision in the matter. Accordingly, it will be appreciated if you will obtain and forward to the Board further information regarding the activities of the Lisman Corporation over the period of the last three years with particular reference to the activities of that firm in connection with the purchase or sale of securities for its own account, the nature and purpose of such transactions, the proportion of that type of its business to the total business of the firm both as to volume of purchases and sales, and profits, the nature of the securities dealt in and such other information as you may deem pertinent in the premises, together with your remarks."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. J. S. Rippel, Newark, New Jersey, reading as follows:

"Receipt is acknowledged of your letter dated May 10, 1934, in connection with your application under Section 32 of the

"Banking Act of 1933 to serve at the same time as Chairman of the Board and director of the Merchants & Newark Trust Company, and as Chairman of the Board of Directors and director of J. S. Rippel & Company both of Newark, New Jersey, from which letter it is noted that you will submit to the Federal Reserve Bank of New York additional information in support of your application.

"The Board wishes it understood that its action was based solely upon the fact that your relationships with The Merchants and Newark Trust Company and the firm of J. S. Rippel & Company come within the prohibitions of Section 32. The Board believes that one of the principal purposes underlying the enactment of the Banking Act of 1933 was the divorcement of commercial banking from investment banking and that Section 32 was enacted to further the purposes of that act by terminating certain relationships between member banks and dealers in securities. Accordingly, the Board feels that it should not grant permits under that section authorizing relationships which are actually of the kind referred to therein.

"The firm of J. S. Rippel & Company appears to be a dealer in investment securities of the kind referred to in that section. Accordingly, the Board felt that it could not properly make an exception in your case and grant a permit authorizing the continuance of the relationship referred to in your application.

"It is the Board's practice to afford to persons making applications under the provisions of Section 32 every opportunity to present any facts or arguments bearing on the subject and as has been pointed out to you previously, the Board is prepared to give careful consideration to such additional facts or arguments as you may desire to present. Consequently, before making any final decision on your application, the Board will await the further information which you have advised that you will submit to the Federal Reserve Agent at the Federal Reserve Bank of New York."

Approved.

Letter to Mr. William A. Pohl, Cincinnati, Ohio, reading as follows:

"The Federal Reserve Board has considered your letter of April 25, 1934, regarding your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Second National Bank and as an officer and director of Grau & Company, both of Cincinnati, Ohio.

"It appears from your letter that you may be under the impression that a permit would be granted if Grau & Company were engaged primarily in the purchase and sale of securities

"as a principal, and that a permit would be denied if the company were engaged primarily in a brokerage business. The Board has ruled, however, that the provisions of Section 32 are inapplicable to a broker, who merely executes orders for the purchase and sale of securities on behalf of others in the open market, but that the provisions of the section are applicable to a dealer in securities who purchases and sells securities as a principal, and that permits should not be granted authorizing officers and directors of member banks to serve such dealers in securities.

"In your letter, you state that approximately ninety-five percent of the business of Grau & Company is comprised of the purchase and sale of municipal bonds. The Board understands that in such purchases and sales, Grau & Company acts as a principal. Under such circumstances, it appears that the relationship covered by your application is within the class which Section 32 was designed to terminate.

"It should be understood that the denial of your application is no reflection upon your desirability as a director of the bank. The Board believes that the Congress, by the enactment of Section 32, has determined that interlocking relationships between member banks and dealers in securities are incompatible with the public interest. Since the relationship covered by your application is one of the kind prohibited by that section, the Board has concluded that your application must be denied."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. John A. Chapman, Chicago, Illinois, reading as follows:

"Receipt is acknowledged of your letters of May 17 and May 22, 1934, addressed to the Federal Reserve Board regarding your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the First National Bank of Lake Forest, Lake Forest, Illinois, and as Vice President of Bartlett, Knight & Company, Chicago, Illinois.

"The Federal Reserve Board has noted your statement to the effect that you were instrumental in obtaining the appointment of the Fiduciary Council, Inc., New York, New York, to pass upon all of the investments made by the bank, and has considered the fact that you are apparently a valuable director of the bank.

"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, and it is believed that permits should not be granted covering relationships of the type involved in your application, 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.

"The Board believes that your letter states no facts which would justify it in making an exception in your case, and therefore has decided that your application should be denied."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Federal Reserve Board has given consideration to the application of Mr. F. K. Lytle under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Security National Bank and as vice-president and director of the Lytle Investment Company, both of Sioux City, Iowa.

"In answer to Question No. 1 of F.R.B. Form 99c, the general nature of the business of the Lytle Investment Company is described as follows:

'Handling of real estate rentals of the holdings of the Lytle Investment Co. They are not in the business of selling securities. They have no salesmen for their company nor do they do any advertising. They do sell a few securities to employees and friends.'

"It appears that the Lytle Investment Company should not be regarded as engaged primarily in the business of purchasing, selling, or negotiating securities within the meaning of Section 32, and that a permit covering the relationships described in this application is not necessary.

"Accordingly, unless there are other facts which you believe should be called to the attention of the Board, it is suggested that you so advise the applicant."

Approved.

Letter dated June 5, 1934, approved by five members of the Board, to Mr. R. H. Tinsman, Kansas City, Missouri, reading as follows:

"Your letter of May 11, 1934, addressed to the Federal Reserve Agent at Kansas City, concerning your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Inter-State National Bank,

"Kansas City, Missouri, and as an officer of Prescott, Wright, Snider Company, Kansas City, Missouri, has been referred to the Federal Reserve Board.

"Careful attention has been given to the statement in your letter concerning the difficulties of the Inter-State National Bank in obtaining suitable directors, and to the statement of your personal reasons for desiring to continue as a director of the bank.

"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, and it is believed that permits should not be granted covering relationships of the type involved in your application, 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.

"The Board believes that your letter states no facts which would justify it in making an exception in your case, and therefore has decided that your application should be denied."

Approved.

Letters dated June 5, 1934, approved by five members of the Board, to the following applicants for permits under section 32 of the Banking Act of 1933; each letter stating that it appears that the relationship covered by the application is within the class which section 32 was designed to terminate, and that, accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant the application, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. Charles A. Stone, for permission to serve at the same time as a director of the Manufacturers National Bank of Troy and as senior partner of C. A. Stone and Company, both of Troy, New York.

Mr. Calvin Fentress, for permission to serve at the same time

as a director of the Barnett National Bank of Jacksonville, Jacksonville, Florida, as a director of the Personal Loan & Savings Bank, Chicago, Illinois, and as an officer and director of Baker, Fentress & Company, Chicago, Illinois.

Mr. E. A. Frost, for permission to serve at the same time as a director of the Commercial National Bank in Shreveport, Shreveport, Louisiana, as a director of the State National Bank, Texarkana, Arkansas, and as a partner of Frost, Whited & Co., Shreveport, Louisiana.

Approved.

Letter to Mr. T. B. Reynolds, Secretary-Treasurer of The Wimsett System Loan Company of Cincinnati, Ohio, reading as follows:

"This refers to your letter of March 16, 1934, in which you request to be advised whether a director of your company may apply for a permit to serve at the same time as a director of a national bank.

"You state that The Wimsett System Loan Company of Cincinnati is an industrial financing corporation which makes small loans upon co-maker security and frequently upon stock or bond collateral. As you know, Section 8A of the Clayton Antitrust Act makes it unlawful after January 1, 1934, for a director, officer, or employee of a national bank to serve at the same time as a director, officer, or employee of any corporation (other than a mutual savings bank) which shall make loans secured by stock or bond collateral other than to its own subsidiaries. It is clear, therefore, that this section prohibits a director of a national bank from serving at the same time as a director of your company, if such company shall make loans secured by stock or bond collateral.

"While the Federal Reserve Board is authorized by Section 8 of the Clayton Antitrust Act to issue permits, under certain conditions, covering relationships otherwise prohibited by any of the provisions of that Act, this authority is limited to the issuance of permits covering relationships between not more than three 'banks, banking associations, or trust companies.' It is understood that The Wimsett System Loan Company is a corporation organized and existing under the general corporation laws of the State of Ohio for the purpose of 'loaning money on notes, with or without security; on real estate mortgages, collateral security or otherwise; or to buy and sell bonds and mortgages'; that it does not and is not authorized to accept deposits; that it is not under the supervision of the Superintendent of Banks; and that it is the holder of a license from the Commissioner of Securities to engage in the so-called small

"loan business as provided in Ohio General Code, Section 6346-1 to 6346-13, inclusive. In these circumstances, it is the opinion of the Federal Reserve Board that The Wimsett System Loan Company is not a 'bank, banking association or trust company' within the meaning of Section 8 of the Clayton Act; and that, therefore, the Board would have no authority under the law to grant a permit covering the service of a director of such company as a director of a national bank.

"In this connection your attention is invited to the fact that Section 8A of the Clayton Antitrust Act is applicable only to corporations which 'shall make' loans secured by stock or bond collateral; and, accordingly, the law does not prohibit the service of a director of a national bank as a director of a corporation which shall make no new loans of the kind referred to in Section 8A of the Clayton Act although it may have made such loans in the past and may have such loans outstanding."

Approved.

Letters dated June 5, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Justin D. Bowersock, for permission to serve at the same time as an officer of The Lawrence National Bank, Lawrence, Kansas, and as a director of the Union National Bank in Kansas City, Kansas City, Missouri.

Mr. Irving Hill, for permission to serve at the same time as a director and officer of The Lawrence National Bank, Lawrence, Kansas, and as a director of the Union National Bank in Kansas City, Kansas City, Missouri.

Mr. I. J. Meade, for permission to serve at the same time as a director and officer of The Lawrence National Bank, Lawrence, Kansas, and as a director of The First National Bank of Tonganoxie, Tonganoxie, Kansas.

Mr. Wilder S. Metcalf, for permission to serve at the same time as a director and officer of the Federal Home Loan Bank of Topeka, Topeka, Kansas, and as a director of The Lawrence National Bank, Lawrence, Kansas.

Mr. Chas. W. Thompson, for permission to serve at the same time as a director of The Merchants National Bank of Topeka, Topeka, Kansas, and as a director of the Federal Home Loan Bank of Topeka, Topeka, Kansas.

Approved.

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

Applications for ORIGINAL Stock:	Shares	
District No. 4.		
Keystone National Bank in Pittsburgh, Pittsburgh, Pennsylvania	300	300
District No. 6.		
The First National Bank in Fort Myers, Fort Myers, Florida	75	75
District No. 7.		
First National Bank at Darlington, Darlington, Wisconsin	36	36
District No. 12.		
First National Bank in Corcoran, Corcoran, California	36	
Vancouver National Bank, Vancouver, Washington	72	108
		519

Applications for SURRENDER of Stock:		
District No. 3.		
The Peoples National Bank of Lakewood, Lakewood, New Jersey	180	
Fannettsburg National Bank, Fannettsburg, Pennsylvania	27	
The First National Bank of Mildred, Mildred, Pennsylvania	39	246
District No. 4.		
Lagonda-Citizens National Bank of Springfield, Springfield, Ohio	384	384
District No. 8.		
The First National Bank of Clinton, Clinton, Kentucky	42	
The First National Bank of Steele, Steele, Missouri	18	
The First National Bank of Windsor, Windsor, Missouri	39	99
District No. 10.		
The First National Bank of Calvin, Calvin, Oklahoma	21	
The Walters National Bank, Walters, Oklahoma	39	60

Applications for SURRENDER of Stock: (Continued)	Shares	
District No. 11.		
The First National Bank of Hamlin, Hamlin, Texas	38	38
District No. 12.		
First National Bank in Grass Valley, Grass Valley, California	33	
The Placerville National Bank, Placerville, California	36	
The Vallejo Commercial National Bank, Vallejo, California	72	141
	Total	968

Approved.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Ed Black
Governor.