

A meeting of the Federal Reserve Board was held in Washington on Tuesday, June 12, 1934, at 12:00 noon.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel

The minutes of the meetings of the Federal Reserve Board held on May 21, 23, 24, 25 and 28, 1934, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on May 17 and 19, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Memorandum dated June 9, 1934, from Mr. Noell, Assistant Secretary, submitting the recommendation of Mr. Mooney, Chief Telegraph Operator, that Mr. J. H. Heher, Telegraph Operator, who has been ill since May 17, 1934 and whose thirty days' sick leave will expire on June 15, be granted an additional leave of absence, on account of illness, of fifteen days from June 16 to 30, 1934, inclusive.

Approved.

Letter to Mr. Harris, Cashier of the Federal Reserve Bank of Dallas, reading as follows:

"The Federal Reserve Board approves the recommendation

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"contained in your letter of May 26 that the temporary employment of Mr. L. O. Moore, Jr. as Senior Clerk, Collection Division, Houston Branch, at an annual salary of \$1,920, which is \$120 in excess of the salary range provided for the position, be continued for an additional period of six months.

"While your letter indicates that the assignment of Mr. Moore to the position of Senior Clerk was made during the year 1933, the January 1, 1934 salary list of employees shows him as Assistant Manager. It would appear that Mr. Moore should have been shown in the position of Senior Clerk on the January 1, 1934 salary list and your advice in this connection will be appreciated."

Approved.

Letter to the board of directors of the "Bank of Valley", Valley, Nebraska, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved.

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

"Receipt is acknowledged of Mr. Dillistin's letter of May 29, 1934, in regard to the application of 'The Endicott National Bank', Endicott, New York, for permission to exercise fiduciary powers, action on which was deferred by the Board on December 31, 1929, until the bank had built up a surplus equal to at least 20 per cent of its capital.

"Mr. Dillistin advises that the bank has made no progress in building up its surplus since the filing of its application in December, 1929. The Board will, therefore, close its file in this case and will require the submission of a new application should the bank, at a later date, be in a position to qualify for trust powers."

Approved.

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

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"Reference is made to the application of the First National Bank in Clarksville, Clarksville, Texas, for permission to exercise fiduciary powers, which was transmitted to the Board with your letter of May 24, 1934.

"This office has been advised by the Comptroller of the Currency that the applicant bank was scheduled for an examination to be made as of June 4, 1934. In view of this fact the Board will defer action upon the pending application for fiduciary powers until such examination has been completed and a report thereof is available, at which time the Board will be pleased to have the benefit of any further recommendation you may wish to make in the premises."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Union National Bank in Newark', Newark, New Jersey, from \$375,000 to \$187,500, 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, that the released capital shall be used to eliminate a corresponding amount of the least desirable assets from the bank, and that a portion of the proceeds from the sale of the preferred stock shall be used to liquidate the bank's bills payable, all as set forth in your memorandum of June 2, 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 National City Bank and Trust Company of Marion', Marion, Ohio, from \$300,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$150,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of the least desirable assets in the bank, all as set forth in Mr. Awalt's memorandum of May 29, 1934."

Approved.

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Letter dated June 11, 1934, approved by three members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Third National Bank of Ashland', Ashland, Kentucky, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$125,000 of preferred stock to be sold to the Reconstruction Finance Corporation and others, and that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in your memorandum of June 2, 1934."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Poweshiek County National Bank of Grinnell', Grinnell, Iowa, from \$50,000 to \$35,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a portion of the bank's surplus and undivided profits, and funds in the amount of approximately \$25,000 to be made available by a local cash contribution, shall be used to eliminate unsatisfactory assets in the amount of approximately \$55,000, all as set forth in your memorandum of June 1, 1934."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Tarkio', Tarkio, Missouri, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate a corresponding

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"amount of substandard assets, all as set forth in your memorandum of June 1, 1934."

Approved.

Telegram 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 Midway National Corporation", St. Paul, 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 Midway National Bank of St. Paul", and "The Twin Cities National Bank of St. Paul", both of St. Paul, Minnesota, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to August 1, 1934, First: To act upon a proposal or proposals to create, issue, and sell to the Reconstruction Finance Corporation, preferred stock of The Midway National Bank of St. Paul having a par value of \$200,000 (two hundred thousand dollars) and to reduce the bank's common stock from \$200,000 (two hundred thousand dollars) to \$100,000 (one hundred thousand dollars) and to make such amendments to the bank's articles of association and to take such other action as is necessary to effect such proposals; 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. Second: To act upon a proposal or proposals to effect the assumption of the deposit liabilities of The Twin Cities National Bank of St. Paul by The Midway National Bank of St. Paul, and the transfer and/or pledge of acceptable assets of the former as security for the obligations thus assumed by the latter. Third: To effect the liquidation of The Twin Cities National Bank of St. Paul. Fourth: To elect directors of such banks at any meetings of their respective shareholders or at any adjournments thereof and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the respective annual meetings of such banks."

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The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to The Midway National Corporation, a limited voting permit in accordance with the telegram, and stated that under date of January 17, 1934, the agent and the executive committee of the Federal Reserve Bank of Minneapolis recommended that a voting permit be issued to the applicant upon the condition that a contribution of approximately \$62,000 be made by the stockholders of The Twin Cities National Bank; that it is the Board's understanding that the present plans of the applicant and its subsidiary banks do not provide for such contribution; and that, in view of all the circumstances, the Board is willing to authorize the issuance of a limited permit without requiring that such contribution be made, although the agent is authorized to withhold the issuance of the limited voting permit in the event such contribution is not to be made and either the agent or the executive committee of the Minneapolis bank is of the opinion that the issuance of the permit is inadvisable.

Approved, together with a 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 Midway National Bank of St. Paul', St. Paul, Minnesota, from \$200,000 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 shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of May 16, 1934."

Letter to Mr. Frank Warner, Secretary of the Iowa Bankers

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Association, Des Moines, Iowa, reading as follows:

"Receipt is acknowledged of your letter of May 2, 1934, inclosing an excerpt from your Legal Bulletin, dated May 1, 1931, containing certain rules governing savings accounts. It is understood that you wish to be advised whether such rules comply with the regulations of the Federal Reserve Board governing savings deposits and also whether any 'Rules Governing Savings Accounts' have been prepared by the Federal Reserve Board.

"As you know, the Federal Reserve Board has prescribed in Regulation Q certain requirements with respect to savings deposits. With the exception of the requirements therein set forth, the Board has not prescribed any provisions or requirements to be included in the savings pass books of member banks or other contracts between such banks and their savings depositors.

"The 'Rules Governing Savings Accounts' submitted with your letter appear to require, in accordance with the definition of 'savings deposits' contained in Regulation Q, that no withdrawals may be made except upon the presentation of the pass book and that the bank may require not less than thirty days' notice in writing before such withdrawals. Accordingly, if the deposits which are subject to such rules consist of funds accumulated for bona fide thrift purposes and the rules are contained in the bank's printed regulations or in some other written contract accepted by the depositor, the deposits will constitute savings deposits within the meaning of the Board's Regulation Q. It appears that the rules which you inclose are subject to change on certain conditions and, of course, the question whether the rules and regulations after any such change would conform with the provisions of the law and the Board's regulation regarding savings deposits would depend upon the nature of the change which might be made.

"The fifth paragraph of Section IX of the by-laws prepared by the State Banking Department, which were also inclosed with your letter, apparently contemplates that savings deposits may by special agreement be paid without the presentation of the pass book. As above stated, the rules governing savings accounts apparently require the presentation of the pass book in all cases and it would seem that the provisions of the rules on this subject would govern if any question should arise; but, inasmuch as deposits with respect to which the pass book need not necessarily be presented whenever withdrawals are made may not be considered savings deposits within the meaning of Regulation Q, it is suggested that the provisions of the by-laws on this subject be amended so as to conform to the corresponding provisions of the rules governing savings accounts and thus to avoid any uncertainty in the matter.

"The sixth paragraph of the rules governing savings accounts which you inclose provides that interest will commence

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"on each deposit on the first day of the month on all sums left by the tenth day of said month, and the fourth paragraph of Section IX of the by-laws provides that deposits made on or before the fifth day of the month shall bear interest from the first day thereof. In this connection, your attention is called to the rulings of the Board with respect to the payment of interest from the first day of the month on savings deposits received within a few days thereafter, published in the Federal Reserve Bulletin for October 1933 at page 652 and for May 1934 at page 304, copies of which are inclosed for your information.

"It is noted that the eleventh paragraph of the rules governing savings accounts and also the seventh paragraph of Section IX of the by-laws apparently authorize a bank to close the account of any savings depositor upon giving notice, and the requirements with respect to such notice are not the same in the rules as in the by-laws. In this connection, attention is called to the requirements prescribed in Section VI of Regulation Q with respect to the payment of savings deposits by a member bank without requiring notice of withdrawal.

"With respect to the statement contained in the second paragraph of Section IX of the by-laws that the rate of interest on deposits shall not exceed 4 per cent, it is assumed that you are aware of the provisions of Regulation Q limiting the rate of interest which may be paid on time deposits and savings deposits to three per cent per annum compounded semiannually.

"It is hoped that the above comments may be of assistance to you in advising with member banks in your State with regard to the form of their contracts with their savings depositors."

Approved.

Telegram prepared and sent early this morning with the approval of three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Your wire June 11. Board grants permits under Section 32 of Banking Act of 1933 to member banks named below to act as correspondent banks for dealers named below solely in connection with an issue of \$12,230,000 bonds of the State of North Carolina referred to in your telegram. The member banks referred to are First National Bank, The National City Bank of New York, Bankers Trust Company, The Chase National Bank of the City of New York, all of New York City, New York, Wachovia Bank and Trust Company, Winston Salem, North Carolina, American Trust Company, Charlotte, North Carolina, and Mercantile Commerce Bank and Trust Company of St. Louis, Missouri. The dealers referred to are Kidder, Peabody and Company; Stone Webster and Blodgett, Salomon Brothers

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"and Hutzler; E. H. Rollins and Sons; B. J. Van Ingen and Company; Phelps, Fenn and Co.; George B. Gibbons and Co.; First of Michigan Corporation; and Eldredge and Co. Inc. all of New York City. Please obtain and forward for Board's files an application by each member bank covering relationships referred to together with usual accompanying forms except that only one statement of each dealer and of each member bank need be submitted. Formal permits being prepared and will be mailed shortly. Please advise applicants."

Approved.

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

"Your wire June 12. Board grants permits under Section 32 of Banking Act of 1933 to member banks named below to act as correspondent banks for dealers named below solely in connection with an issue of \$12,230,000 bonds of the State of North Carolina referred to in your telegram. The member banks referred to are Chemical Bank and Trust Company, New York City, New York; First National Bank, Memphis, Tennessee; and Trust Company of Georgia, Atlanta, Georgia. The dealers referred to are Lehman Bros.; First of Boston Corporation; Halsey Stuart and Company; Blyth and Company; Estabrook and Company; Bancamerica Blair Corporation; Hallgarten and Company; R. W. Pressprich and Company; Graham Parsons and Company; Kean Taylor and Company; Darby and Company; F. S. Moseley and Company; R. S. Dickson and Company; Wallace and Company; George H. Burr and Company; R. H. Moulton and Company; Hemphill Noyes and Company; L. F. Rothschild and Company; Bacon Stevenson and Company; Wertheim and Company; Hannah S. Ballin and Lee; Schaumburg Rebham and Osborne; G. M. P. Murphy and Company; Eberstadt and Company; Rutter and Company; and A. M. Kidder and Co., all of New York City, New York and Stifel Nicolaus and Company, St. Louis, Missouri; Equitable Securities Corporation, Nashville, Tennessee; Mason Hagen, Inc., Richmond, Virginia; Wells Dickey and Company, Minneapolis, Minnesota; Kirchofer and Arnold, Raleigh, North Carolina; Interstate Securities Corporation, Charlotte, North Carolina; The Milwaukee Company, Milwaukee, Wisconsin; Oscar Brunett and Company, Greensboro, North Carolina; Stern Bros. and Company, Kansas City, Missouri; Kalman and Company, St. Paul, Minnesota; Lewis and Hall, Greensboro, North Carolina; Robinson Humphrey Company, Atlanta, Georgia; Piper Jaffray and Hopwood, Minneapolis, Minnesota; F. W. Craigie and Company, Richmond, Virginia and Donald Oneil and Company, Dallas, Texas. Please obtain and forward for Board's files an application by each member bank covering relationships referred to together with usual accompanying forms

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"except that only one statement of each dealer and of each member bank need be submitted. Formal permits being prepared and will be mailed shortly. Please advise applicants. According to records of Board Branch Banking and Trust Company, Wilson, North Carolina is not a member bank and permit therefore not necessary."

Approved.

Letter 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 Alfred Hart 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 & Trust Company of Rochester, Rochester, New York, and as a director of First National Rochester Corporation, Rochester, New York.

"It appears that The First National Rochester Corporation was organized in the year 1929 and is an investment trust. In its answer to Question One on F.R.B. Form 99c, the dealer states that the corporation invests its funds for its own account and does not underwrite, float, or distribute securities to the public. In a letter dated April 17, 1934, from The First National Bank & Trust Company of Rochester to Mr. Dillistin, a copy of which is annexed to the application, it is stated that the First National Rochester Corporation has not made any loans secured by stock or bond collateral since January 1, 1934, nor does it contemplate the making of such loans.

"Furthermore, figures submitted by the First National Rochester Corporation show that during the past four years its sales of securities have been proportioned to its assets as follows:

1933 --	Proportion of securities sold to total assets	-	2.35%
1932 --	" " " " " "	"	3.2%
1931 --	" " " " " "	"	6.3%
1930 --	" " " " " "	"	3.6%

"The corresponding proportion of securities purchased by it during the same period is shown to be:

1933 -	Proportion of securities purchased to total assets	-	2.2%
1932 -	" " " " " "	"	3.2%
1931 -	" " " " " "	"	1.6%
1930 -	" " " " " "	"	8.6%

"Also, at the end of the year 1933, its portfolio appears to have been made up of securities held as follows:

Securities held more than 2 years	-	94.42%
" " " " 1 year	-	98.66%
" " less " 1 "	-	1.34%
" " " " 6 months	-	0

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"On the basis of the above information, the Board agrees with you that the First National Rochester Corporation is not 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the scope of Section 32 and a permit covering the relationships described in this application is not necessary. Therefore, it will be appreciated if you will advise the applicant accordingly."

Approved.

Letter to Mr. Robert Lehman, New York, New York, reading as follows:

"Your letter of May 24, 1934, to Mr. J. H. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, regarding your application for a permit under Section 32 of the Banking Act of 1933 to serve as director of the Corn Exchange Bank and Trust Company and the Commercial National Bank and Trust Company of New York, and as a member of the firm of Lehman Brothers, all of New York, New York, has been referred to the Board for its consideration.

"It is noted that you have resigned as a director of the Corn Exchange Bank and Trust Company and that your application, in so far as it covers that bank, may be regarded as withdrawn, but that you wish the Board to give further consideration to your application to the extent that it affects your continuing to serve as director of the Commercial National Bank and Trust Company of New York.

"In this connection, you point out as a basis for a special consideration of your application that you were responsible, in the first instance, for the organization of that bank, that you were active in the selection of the bank's personnel at the time of its organization and that you, together with interests to which you are directly connected, hold for investment approximately one-third of the bank's outstanding capital stock; that neither you nor any member of your firm has borrowed from the bank, that you and your firm are willing to commit yourselves to make any such loans as long as you remain on the Board and that you are willing to pledge that you and your firm will have no dealings with the bank, as either principal or agent, in the matter of buying or selling securities.

"In its letter to you of May 8, 1934, in which the Board stated that it was unable to find that it would be not incompatible with the public interest to grant your application, the Board took the same position as that which it has taken with respect to other applications covering similar relationships. This position was adopted in order to give effect to the purposes which the Board believes Congress had in mind in enacting

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"Section 32. As stated in that letter, the Board believes that it was the purpose of Congress in enacting this section to terminate relationships of the types described therein between member banks and dealers in securities; and, in view of the policy as thus declared by Congress in the law, it is the practice of the Board in cases of this kind not to issue permits authorizing relationships which fall within the intent of the prohibitions of Section 32. On the basis of the information before the Board your interlocking relationship appears to be one which falls within both the literal terms of the statute as well as the purpose thereof. It is for this reason that the Board is unable to find that it would be not incompatible with the public interest to grant your application.

"The Board is not unsympathetic with your reasons for wishing to continue as a director of the Commercial National Bank and Trust Company of New York but, in view of the purposes underlying the enactment of Section 32, as have already been outlined, the Board believes that it may not properly make an exception in your case."

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

"The Federal Reserve Board has received your letter of May 28, 1934, inclosing a copy of Mr. Robert Lehman's letter to you dated May 24, 1934, regarding his application for a permit under Section 32 of the Banking Act of 1933 to serve as director of the Corn Exchange Bank and Trust Company and the Commercial National Bank and Trust Company of New York, and as a partner of Lehman Brothers, and a copy of your letter of May 11, 1934, to him concerning other applications by him under that section to serve those banks and the Lehman Corporation, General American Investors Company, Inc., and Selected Industries, Incorporated. Inclosed herewith is a copy of the Board's reply to Mr. Lehman's letter notifying him that the Board is unable to find his relationship with the Commercial National Bank and Trust Company of New York and Lehman Brothers not incompatible with the public interest.

"Although there is some indication from the customers' credit and debit balances as shown in the statement of condition of Lehman Brothers on F.R.B. Form 99c that the firm maintains customers' margin accounts, there is no definite statement to that effect. For that reason, mention of Section 8A of the Clayton Act and the Board's policy under that section with reference to firms which carry margin accounts, as stated in its letter of April 30, 1934 (X-7884), was omitted from the Board's

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"letter to Mr. Lehman. However, it is suggested that you ascertain definitely whether margin accounts are handled by Lehman Brothers. In the event that such is the case and Mr. Lehman confers with you in connection with the Board's action, you may wish to point out, as an additional reason why the Board would be unable to permit him to serve those two institutions, the fact that his relationship with the Commercial National Bank and Trust Company of New York and Lehman Brothers also falls within the prohibitions of Section 8A of the Clayton Act."

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

"The Federal Reserve Board has considered the applications of H. C. Thompson, Hillsboro, Virginia, and H. H. Cooley, of Round Hill, Virginia, under Section 32 of the Banking Act of 1933 for permits to serve at the same time as officers and directors of The Round Hill National Bank and the Loudoun Loan and Title Company, Inc., both of Round Hill, Virginia.

"From the information contained in Mr. Fry's letter of May 21, 1934, with which was inclosed a copy of a letter from the Loudoun Loan and Title Company, Inc., it appears that the mortgage notes handled by the company are not 'securities' within the meaning of Section 32 and, accordingly, that the provisions of the section are not applicable to the relationships in question. It will be appreciated if you will so advise the applicants. In this connection, reference is made to the Board's letter of April 16, 1934 (X-7866).

"On April 3, 1934, Mr. Cooley wrote to the Board, and asked to be advised whether Section 20 of the Banking Act of 1933 required a divorcement of the Loudoun Loan and Title Company, Inc., from The Round Hill National Bank on or before June 16, 1934.

"On the basis of the information submitted with Mr. Fry's letter, it appears that the mortgage notes handled by the company are not 'stocks, bonds, debentures, notes, or other securities' within the meaning of Section 20 and, accordingly, that the affiliation between The Round Hill National Bank and the Loudoun Loan and Title Company, Inc., will not be prohibited by the provisions of that section after June 16, 1934. In this connection reference is made to the Board's letter of April 13, 1934 (X-7859). It will be appreciated if you will advise Mr. Cooley accordingly."

Approved.

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

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"Please advise Howard W. Fenton of Harris Trust & Savings Bank as follows 'Referring to your telegram June 11 addressed to Governor Black requesting that permits under Section 32 of Banking Act of 1933 be issued to certain persons who have previously filed applications with Board under Section 32 to serve Harris Trust and Savings Bank and The N. W. Harris Company, both of Chicago, Illinois, permits effective until June 16, 1934 being forwarded today to all applicants named in your telegram to serve the two institutions mentioned, and to F. O. Hale to serve also the Terminal National Bank, Chicago, with the following exceptions: Permits have previously been issued to Albert W. Harris, Howard W. Fenton and Frank McNair. In view of pending applications of David A. Crawford and John P. Wilson under Clayton Antitrust Act involving Harris Trust & Savings Bank and other institutions, no action has been taken on Section 32 applications of these two gentlemen. No action has been taken on application of Frank R. Elliott because statement of Elliott State Bank on Board's Form 99b has not been submitted and Board does not, therefore, have information requisite for full consideration of matter. No action has been taken on application of John J. O'Brien because Board has not granted his application under Section 32 to serve Harris Trust and Savings Bank and H. M. Byllesby & Co., Chicago.'"

In connection with the above telegram, there were submitted for approval by the Board permits authorizing the following individuals to serve as directors and/or officers of the Harris Trust and Savings Bank, Chicago, Illinois, and as directors and/or officers of The N. W. Harris Company, Chicago, Illinois, for the period until June 16, 1934; the permit for Mr. F. O. Hale also authorizing his service as a director until June 16, 1934, of The Terminal National Bank of Chicago, and the permit for Mr. George E. Scott also authorizing his service until June 16, 1934, as a director of the Personal Loan & Savings Bank of Chicago:

John McKinlay
 Arthur B. Hall
 Frank H. Woods
 F. O. Hale
 Ward W. Willits
 Charles H. Morse

Bowman C. Lingle
 M. H. MacLean
 Harold H. Swift
 William P. Sidley
 George E. Scott
 Stanley G. Harris

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The issuance of the permits above referred to, and the telegram to Mr. Stevens, were approved.

Letter to Mr. A. J. Mathews, President of the Mathews Investment Company, Inc., Russellville, Arkansas, reading as follows:

"Receipt is acknowledged of your letter dated June 1, 1934, regarding your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as chairman of the board and director of the Bank of Russellville, Russellville, Arkansas, and as president and director of the Mathews Investment Company, Inc., Russellville, Arkansas.

"It is noted that you state that you have no other facts to submit in support of your application, and that you ask to be advised whether you may continue to act as a director of the bank.

"For the reasons stated in its letter of May 26, 1934, the Federal Reserve Board has decided that your application should be denied. It will therefore be necessary for you to discontinue your services with either the Mathews Investment Company, Inc., or the Bank of Russellville. Please advise the Federal Reserve Agent at the Federal Reserve Bank of St. Louis of the action which you take in order to comply with the provisions of Section 32."

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 23, 1934, with reference to the permit issued May 14, 1934 to Mr. A. M. Wigen under the provisions of the Clayton Antitrust Act to serve at the same time as director of the First National Bank in Drake, Drake, North Dakota, and as director of the Berwick State Bank, Berwick, North Dakota.

"It is noted that in January, 1934, Mr. Wigen was elected vice president of the Berwick State Bank, Berwick, North Dakota, that his application dated December 19, 1933, and approved May 14, 1934, did not cover such service and that he now requests permission to serve as an officer of the Berwick State Bank in addition to his services as director of such bank and as director of the First National Bank in Drake, Drake, North Dakota.

"In compliance with his request and in accordance with your recommendation, the Board approves the application of Mr. Wigen to serve at the same time as director of the First National Bank in Drake, Drake, North Dakota and as director and officer of the

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"Berwick State Bank, Berwick, North Dakota.

"There are inclosed copies of the permit as amended for transmittal by you to Mr. Wigen and the banks involved together with a copy for your files."

Approved.

Letter dated June 11, 1934, approved by three members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Henry E. Ellsworth, for permission to serve at the same time as a director of The First National Bank of Hartford, Hartford, Connecticut, and as a director and officer of The Simsbury Bank & Trust Company, Simsbury, Connecticut.

Approved.

Letters dated June 11, 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. Alden Pearson, for permission to serve at the same time as a director and officer of the Becker County National Bank of Detroit Lakes, Detroit Lakes, Minnesota, and as a director of the First National Bank in Mahnomen, Mahnomen, Minnesota.

Mr. P. S. Peterson, for permission to serve at the same time as a director and officer of the Becker County National Bank of Detroit Lakes, Detroit Lakes, Minnesota, and as a director of the First National Bank in Mahnomen, Mahnomen, Minnesota.

Mr. F. J. Rogstad, for permission to serve at the same time as a director and officer of the Becker County National Bank of Detroit Lakes, Detroit Lakes, Minnesota, and as a director and officer of the First National Bank in Mahnomen, Mahnomen, Minnesota.

Approved.

There was presented a letter dated May 31, 1934, from Mr. Case, Chairman of the Federal Reserve Bank of New York, copies of which had been furnished to all appointive members of the Board,

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stating that on April 23, 1934, Mr. Carl Snyder, General Statistician of the bank, reached the age of sixty-five years; that pursuant to the provisions of the rules and regulations of the retirement system he should be retired unless the bank requests that he be retained in its service subsequent to that time; and that the directors of the New York bank, after careful consideration, had concluded that it would be desirable to request of the retirement committee that Mr. Snyder be retained in the service of the bank for one year from April 23, 1934. The letter also stated that Mr. Snyder is not in a position to make the immediate adjustment of his financial affairs which would be necessary if his services were discontinued; that it is the feeling of the directors of the bank that ordinary concern for their responsibilities in the matter requires that he be given further time in which to meet the situation, during which time he will be well able to continue to perform the services for which he has heretofore been employed; and that, in order that this proposal may be carried out, the directors request the Board's approval of the payment of Mr. Snyder's salary at the rate of \$11,000 per annum, for the period from July 1 to December 31, 1934, inasmuch as the Board's approval of his salary was limited to the six months' period ending June 30, 1934.

After discussion, Mr. Hamlin moved that the action taken at the meeting of the Board on January 22, 1934, with regard to the salary of Mr. Snyder be reconsidered and that the Board approve the payment of salary to Mr. Snyder to December 31, 1934.

Mr. Hamlin's motion was put by the chair and lost, Mr. Hamlin voting "aye" and Mr. Thomas not voting.

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At this point, Mr. Paulger, Chief of the Division of Examinations, joined the meeting.

Reference was made to the memorandum submitted to Governor Black under date of June 6, 1934, by Mr. Paulger, and to the discussion at the meeting of the Executive Committee of the Board on June 9, with regard to the examination department of the Federal Reserve Bank of New York, and, for the information of the members of the Board who were not present at that meeting, the memorandum was read again. Governor Black stated that he had recently talked with Mr. Case, Chairman of the Federal Reserve Bank of New York, who had suggested that, as a step toward improving the condition of the examination department of the bank, he was giving consideration to the desirability of obtaining, if possible, the services of Mr. F. G. Awalt, who is now Deputy Comptroller of the Currency, as chief examiner. Governor Black said that during the past two weeks he had also talked with Governor Harrison of the Federal Reserve Bank of New York concerning the difficulties confronting the Clearing House Association of New York and that Governor Harrison had suggested that it might be desirable for the Federal Reserve Bank of New York to take over the examination functions of the clearing house. Governor Black added that upon thinking the matter over since the meeting on June 9 he felt that, in view of the present situation, it would be desirable for the Board's Committee on District No. 2 (Messrs. Miller and Hamlin) to go to New York, or request Governor Harrison and Mr. Case to come to Washington, for the purpose of discussing what action should be taken in connection

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with the examination department of the New York bank, and, after the committee has considered the whole question, to submit its recommendations to the Board.

During the ensuing discussion, Mr. Miller stated that he thought that the major problem which would have to be considered by the Committee on District No. 2, if the Governor's suggestions were followed, would be whether or not Mr. Case should be replaced as Federal Reserve Agent, and that he was convinced that before the necessary changes will be made in the examination department of the Federal Reserve Bank of New York it will be necessary to have as Federal reserve agent in the bank someone who will take a special interest in the work of the examination department and realize its importance.

At the conclusion of the discussion, Mr. Szymczak moved that the whole matter, including the question as to what changes should be made in the examination department of the Federal Reserve Bank of New York, in view of existing circumstances, be referred to the Committee on District No. 2 for consideration in the light of the discussion at this meeting and for recommendation to the Board.

Carried.

There was then presented for consideration a draft of a letter to Mr. L. J. Murphy, Vice President and Cashier of The Public National Bank and Trust Company of New York, New York, which had been circulated previously among the appointive members of the Board, and which read as follows:

"Your letter of April 6, 1934, addressed to the Comptroller of the Currency, regarding the payment by your bank of the premium on a surety bond securing a deposit made by the Sheriff of

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"New York County, has been referred to the Federal Reserve Board.

"As you know, the Federal Reserve Board has expressed the opinion that, where a member bank pays the premium on a bond securing deposits of public funds which are payable on demand and where the amount so paid is a certain prescribed percentage of the amount of the funds on deposit over the period covered by the bond, the payment of such premium constitutes an indirect payment of interest on such deposits within the meaning of the provision of Section 19 of the Federal Reserve Act which prohibits the payment of interest on deposits payable on demand, 'directly or indirectly by any device whatsoever'. You state that the bond given by your bank to secure the deposits to which you have reference is executed for the period of one year and that a premium of 1% is paid thereon by the bank with a provision for a subsequent adjustment of premium on the basis of average balances in the account during the period covered by the bond. On the basis of the facts submitted, it is the view of the Board that the payment of the premium by your bank on the bond in question would fall within the scope of the Board's ruling referred to above, and, accordingly, that the payment of such premium would constitute an indirect payment of interest on such deposits within the meaning of Section 19 of the Federal Reserve Act.

"In this connection, your attention is called to the fact that Section 19 of the Federal Reserve Act excepts from the prohibition upon the payment of interest on deposits payable on demand 'deposits of public funds made by or on behalf of any State, county, school district or other subdivision or municipality, with respect to which payment of interest is required under State law.' It is understood, however, that the deposits here in question do not represent deposits of the type which would fall within this exception to the prohibition of the statute."

A discussion of the Board's ruling on this matter ensued, during which Mr. Wyatt stated that, while the question involved is a close one concerning which there may be strong differences of opinion, the Board gave careful consideration to the matter in July, 1933, and adopted the ruling on which the proposed letter is based; that the ruling has been published in the Federal Reserve Bulletin; and that as the letter from Mr. Murphy does not ask for a reconsideration of that ruling, he saw no reason for changing the ruling at this time and would suggest that the Board make no change.

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Mr. Miller moved that the proposed letter be approved.

Carried, Mr. Thomas voting "no".
Governor Black and Mr. Hamlin stated that, although they voted "aye", they did so with the understanding that they will study the general question involved, and may ask for a reconsideration thereof at a later date.

Governor Black reported that the text of the annual report of the Federal Reserve Board for the year 1933 had been received from the printer and copies thereof were sent to the Speaker of the House of Representatives and the President of the Senate on June 11, 1934, and released to the press on that day upon receipt of advice that the report had been made public.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
The Central National Bank of Lynn, Lynn, Massachusetts	60	
Northampton National Bank and Trust Co., Northampton, Massachusetts	75	
The National Mount Wollaston Bank of Quincy, Quincy, Massachusetts	60	
Hampden National Bank & Trust Co. of Westfield, Westfield, Massachusetts	15	
The First National Bank of West Derry, Derry, New Hampshire	9	
The New Hampshire National Bank of Portsmouth, Portsmouth, New Hampshire	30	
The Randolph National Bank, Randolph, Vermont	24	273
<u>District No. 2.</u>		
The Prospect Park National Bank, Prospect Park (P.O. Paterson), New Jersey	45	
The Northern Valley National Bank of Tenafly, Tenafly, New Jersey	60	

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Applications for ADDITIONAL Stock: (Continued)		Shares	
<u>District No. 2. (Continued)</u>			
First National Bank in Montgomery, Montgomery, New York		24	
Bank of Jamestown, Jamestown, New York		21	
The First National Bank of South River, South River, New Jersey		<u>120</u>	270
<u>District No. 3.</u>			
The Woodbine National Bank, Woodbine, New Jersey		14	
The Dauphin National Bank, Dauphin, Pennsylvania		2	
The First National Bank of Everett, Everett, Pennsylvania		12	
The First National Bank of Lilly, Lilly, Pennsylvania		15	
Farmers & Citizens National Bank of Montgomery, Montgomery, Pennsylvania		<u>18</u>	61
<u>District No. 4.</u>			
The First National Bank of Fostoria, Fostoria, Ohio		10	
The Marysville-Commercial Bank, Marysville, Ohio		<u>19</u>	29
<u>District No. 6.</u>			
The Traders National Bank of Tullahoma, Tullahoma, Tennessee		24	24
<u>District No. 8.</u>			
The National Bank of Commerce in Memphis, Memphis, Tennessee		150	
Cass Bank & Trust Co., St. Louis, Missouri		60	
North St. Louis Trust Co., St. Louis, Missouri		<u>120</u>	330
<u>District No. 9.</u>			
The First National Bank of Wilton, Wilton, North Dakota		6	
The First National Bank of Harmony, Harmony, Minnesota		2	
The First National Bank of LeCenter, LeCenter, Minnesota		9	
The Marquette National Bank of Minneapolis, Minneapolis, Minnesota		<u>60</u>	77
<u>District No. 10.</u>			
The State National Bank of Weleetka, Weleetka, Oklahoma		7	

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 10. (Continued)</u>			
The Casper National Bank, Casper, Wyoming	<u>30</u>		37
<u>District No. 12.</u>			
The First National Bank of Corona, Corona, California		12	
Walker Bank & Trust Co., Salt Lake City, Utah		105	
Crocker First National Bank of San Francisco, San Francisco, California	1,500		1,617
	<u>Total</u>		<u>2,718</u>
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
First National Bank in Lodi, Lodi, New Jersey		84	
The First National Bank of Salamanca, Salamanca, New York		75	
Peoples Trust Company of Bergen County, Hackensack, New Jersey	<u>420</u>		579
<u>District No. 10.</u>			
The First National Bank of Fort Morgan, Fort Morgan, Colorado		60	60
<u>District No. 12.</u>			
The Ely National Bank, Ely, Nevada		<u>12</u>	<u>12</u>
	<u>Total</u>		<u>651</u>

Approved.

Thereupon the meeting adjourned.

Chesler Mowiel
Secretary.

Approved:

E. R. Haack
Governor.