

A meeting of the Federal Reserve Board was held in Washington on Thursday, June 28, 1934, at 12:30 p. m.

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

Mr. Morrill, Secretary

The Board considered and acted upon the following matters:

Telegram dated June 28, 1934, from Governor Harrison of the Federal Reserve Bank of New York, referring to his informal discussion with Governor Black of the request received by the bank from the Department of State that the bank lend Mr. John H. Williams, Economist, to the State Department for the purpose of making a trip during July and August to Brazil, Argentina and Chile as the special representative of the Department to study and report on foreign exchange controls in those countries and their effect on the trade of the United States. The telegram also stated that, while the Department had agreed to pay Mr. Williams' traveling expenses, his salary would be continued by the Federal reserve bank; that, while the Department would send one of its junior men with Mr. Williams, the bank is anxious to send with him also, on its own account and at its own expense, Mr. Eric Lamb of the foreign department, who has lived in South America and who has been specializing for several years on Latin American relations; that the trip will afford Mr. Lamb an opportunity to visit, in conjunction with Mr. Williams, the Bank of

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Brazil, the Bank of the Argentine Nation and the Bank of Chile, which will be helpful to him in his regular work and in any relationships which may develop with the countries in the future; and that it will be appreciated if the Board will advise whether it approves the sending of Messrs. Williams and Lamb to South America on the basis outlined. In connection with Governor Harrison's telegram, there was presented a press statement given out by the State Department with regard to Mr. Williams' proposed trip.

After a discussion, the Governor was authorized to advise Governor Harrison that the Board gives its approval of the proposed trips by Messrs. Williams and Lamb.

Telegram dated June 28, 1934, from Governor Harrison, referring to the Board's letter of May 22, 1934, and confirming his previous oral advice to Governor Black, that he proposes to sail for Europe on June 30, 1934, going direct to Basle, Switzerland, to be there during the July meeting of the board of directors of the Bank for International Settlements; that thereafter he plans to stop in Paris and London; that upon his return to the United States he will report to the Board upon matters of interest to the Federal Reserve System; and that, if it meets the Board's approval, he would like to take with him on the trip Mr. Allan Sproul, Assistant to the Governor.

Governor Black was authorized to advise Governor Harrison that the Board will be pleased to have Mr. Sproul accompany him on the proposed trip.

Memorandum dated June 22, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the temporary appointment,

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for a period of three months, of Mr. George S. Sloan, and his designation as a Federal reserve examiner, with salary at the rate of \$500 a month, effective as of the date upon which he enters upon the performance of his duties.

Mr. Sloan was appointed, for a period of three months, as an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, and was designated as a Federal reserve examiner, with salary at the rate of \$500 a month, all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated June 20, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated June 15 from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, which requested approval of changes in the personnel classification plan of the bank to provide for increases in the maximum salaries of the positions of "manager" and "asst. librarian" in the accounting and library departments, respectively. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved.

Approved.

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

"The Federal Reserve Board has received Mr. Fletcher's letter of June 22, 1934, and, in accordance with the recommendation contained therein, approves the appointment of Elmer Charles Reilender as assistant examiner in the Federal Reserve Agent's department of your bank at salary rate of \$2,500 per annum. Please advise the date upon which the appointment becomes effective. It is assumed, of course, that Mr. Reilender will have no official connection with other business concerns or any other

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"relationship which may have an undesirable effect upon his service as an employee of the Federal reserve bank, and it will be appreciated if you will advise the Board definitely in this respect."

Approved.

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

"Your letter June 20, 1934 and Mr. Gilson's subsequent conversation re applications The Union Trust Company of Boston and Consolidated Investment Trust, of Boston. Voting permit to Consolidated Investment Trust has been issued today and you are accordingly authorized to accept payment for and issue stock in the Federal Reserve Bank to The Union Trust Company of Boston. Time within which The Union Trust Company may accomplish membership is extended to July 5, 1934."

Approved.

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

"Reference is made to your letter of June 15, 1934, transmitting the request of 'The Summit Trust Company', Summit, New Jersey, for an extension of time to July 1, 1935, within which it may comply with the provisions of condition of membership numbered 18, which provides that:

'Not later than July 1, 1934, such bank shall dispose of any stock it holds in the Summit Title and Mortgage Guaranty Company and shall not thereafter hold any stock in such company directly or indirectly through any device whatever.'

The Summit Trust Company has also requested that it be permitted to continue to act as trustee in connection with bonds or other obligations issued by the Summit Title and Mortgage Guaranty Company even though the exercise of such function is prohibited under the provisions of membership condition numbered 19 which was accepted by the bank at the time of its admission to the System. It is noted that the bank interpreted membership condition numbered 19 as applying only to any new obligations which may be issued by the title company subsequent to the date the bank was admitted to membership.

"In view of all the circumstances and your recommendation, the Board extends to July 1, 1935, the time within which The Summit Trust Company may comply with the provisions of membership

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"condition numbered 18, and extends also to July 1, 1935, the time within which The Summit Trust Company may continue to act as trustee in connection with outstanding bonds or other obligations issued by the Summit Title and Mortgage Guaranty Company, with the understanding, of course, that the bank continue to act as trustee for the Summit Title and Mortgage Guaranty Company only in connection with obligations which had been issued by the title company prior to the date of the bank's admission to membership. It is requested that you advise the bank of the Board's action.

"At the time of the credit investigation as of December 5, 1932, made in connection with the bank's application for membership, the institution held 1,117 shares of the stock of the Summit Title and Mortgage Guaranty Company, whereas the report of examination as of March 28, 1934, shows that the bank on that date held 1,122 of the shares of such company. The Board would appreciate advice as to whether the additional shares were acquired in violation of membership condition numbered 7.

"Condition numbered 3 prescribed by the Board in connection with the bank's application for membership provides that all loans shall be maintained within the limits prescribed by the laws of the State of New Jersey. The report of examination as of March 28, 1934, indicates that the bank is carrying five loans which are apparently in violation of such condition, and it will be appreciated if you will advise the Board relative to the present status of such loans."

Approved.

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

"Reference is made to the consolidation on February 28, 1934, of the 'Kempf Commercial & Savings Bank' and the 'Farmers and Merchants Bank', both of Chelsea, Michigan, under the charter of the Kempf Commercial & Savings Bank and the title of Chelsea State Bank.

"The Board has reviewed the condition of the Chelsea State Bank as reflected in the analysis of the report of examination as of April 9, 1934, and the information submitted by your office, from which it appears that the transaction has resulted in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the continuing institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System. The Board will, therefore, take no action affecting the membership of the Chelsea State Bank in the Federal

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"Reserve System by reason of the transaction.

"The condition of the Chelsea State Bank as shown in the report of examination as of April 9, 1934, is not satisfactory and it is requested that you keep the Board advised as to the progress made by it in eliminating criticized assets and effecting the corrections requested by the State authorities, and as to the results of the conference which was to be held with the Commissioner of Banking and representative directors of the bank regarding its management and a program of capital rehabilitation."

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 June 15, 1934, advising that plans are under consideration whereby the First State Bank, St. Joseph, Missouri, a nonmember bank, will assume the deposit liabilities and acquire an equal amount of acceptable assets of the St. Joseph Stockyards Bank, St. Joseph, Missouri, a member institution, and that the First State Bank is desirous of becoming a member of the Federal Reserve System but before making application desires advice as to the adequacy of the proposed capital structure.

"As of May 16, 1934, the First State Bank was reported to have had the following capital accounts:

Capital stock	\$100,000
Surplus	25,000
Undivided profits and reserves	3,000

"It is understood that the bank proposes to increase its capital through the sale of \$150,000 capital notes to the Reconstruction Finance Corporation. You state that after taking over the business of the St. Joseph Stockyards Bank, the First State Bank will have deposits of slightly over \$3,000,000, but that the management anticipates that within a short time after the transaction deposits will decline to an amount not more than \$2,750,000 and probably to as low as \$2,500,000. In the circumstances, the First State Bank has asked you to ascertain whether a capital and surplus of \$275,000 will be considered by the Federal Reserve Board as adequate for admission to membership.

"In the absence of current information as to the condition of the First State Bank, a definite commitment cannot be made in this connection. It is understood, however, that you regard the management of the First State Bank as able and conservative, that the consolidated bank would have no investment in bank building, and that in your opinion its assets would be unusually liquid and free from criticism. If an application is filed, the

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"Board will give consideration to all of the circumstances, and if an exception to its general policy is justified by the condition of the bank's assets and the reasonable expectancy of a reduction in the bank's deposits, will waive its usual requirement that at the time of admission to membership a bank have an unimpaired capital and surplus at least equal to 10 per cent of its deposits. The Board feels, nevertheless, that in the case of any capital adjustment a bank should make provision for an amount of capital which would be altogether adequate in the circumstances. If an application for membership is filed and approved, the usual condition numbered 15 will be prescribed with respect to the maintenance of an adequate amount of unimpaired capital and unimpaired surplus. In this connection it is noted that after the proposed adjustments, the bank will have \$250,000 capital stock and capital notes, and surplus of \$25,000, and if an application is approved, the usual modification of condition numbered 10 will be prescribed requiring that until the surplus account shall equal at least 20 per cent of the bank's capital stock and/or capital notes, such bank shall carry to the surplus account annually 50 per cent of its net earnings.

"It is noted that all shares of the First State Bank, except directors' qualifying shares, are owned by the First Trust Company of St. Joseph, and that the shares of the First Trust Company, except directors' qualifying shares, are trustees for the benefit of the shareholders of the First National Bank of St. Joseph. If these relationships still exist and the First State Bank is admitted to membership in the Federal Reserve System, the First Trust Company will become, and the First National Bank may become a holding company affiliate of the First State Bank. In accordance with its usual policy, the Board will desire to consider the application of the First State Bank for membership simultaneously with the applications of any holding companies for voting permits. It is assumed that you are familiar with the Board's usual policy in this respect, and that if the First State Bank contemplates filing application for membership you will request that the applications for voting permits be filed by any holding company affiliates at the same time, or as soon thereafter as possible."

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, referring to the application of the "Pomeroy State Bank", Pomeroy, Washington, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months'

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notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Pomeroy State Bank, the Federal Reserve Bank of San Francisco is authorized to cancel such stock and make a refund thereon.

Approved.

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

"Receipt is acknowledged of Mr. Clark's letter of June 15, 1934, regarding a possible violation of the provisions of Section 22(g) of the Federal Reserve Act by Mr. E. G. Thomas, President of the Planters Bank and Trust Company, Thomaston, Alabama. It has been noted that the cashier of the bank has advised your office in detail as to the entire transaction and stated that a contract was made in April, 1933, regarding the loan, and that your office is of the opinion that no effort has been made to violate Section 22(g) of the Federal Reserve Act. In the circumstances, the Board is not taking any action to report the matter to the Attorney General but it will be appreciated if you will advise the Board of the detailed information which formed the basis for the conclusion of your office that no violation of Section 22(g) is involved."

Approved.

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

"This refers to your letter of May 25, 1934, with regard to possible violations of the provisions of Section 22(g) of the Federal Reserve Act, by O. W. Reagin, active vice president and cashier of the Forney State Bank, Forney, Texas, and by its president, Mr. J. C. Reagin, as disclosed by an examination made of that bank as of May 21, 1934. It is noted that you have not reported these possible violations to the local United States District Attorney because of the small amounts involved, and for the same reason the Board is not reporting this matter to the Attorney General of the United States.

"However, it will be appreciated if you will advise the Forney State Bank of the provisions of Section 22(g) of the Federal Reserve Act, if you have not already done so."

Approved.



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Letter to Mr. G. V. Fromme, Vice President of "The Champaign National Bank of Urbana", Urbana, Ohio, reading as follows:

"This refers to the resolution adopted on February 14, 1933 by the board of directors of The Champaign National Bank of Urbana, Urbana, Ohio, signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board understands that The Champaign National Bank of Urbana, Urbana, Ohio, has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to The Champaign National Bank of Urbana certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of Section 11 (k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of Section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of Section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by Section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

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 an application for reduction in capital stock of 'The Mechanics' National Bank of Bayonne', New Jersey. It is noted from the report of examination of such bank as of April 28, 1934, that 1011 of the 2000 outstanding shares of capital stock of the subject bank are owned by the Mechanics' Trust Company, Bayonne, New Jersey. Information available to the Board indicates that the Mechanics' Trust Company of Bayonne is now operating under the Altman Act (Chapter 27, Public Law New Jersey, 1933, as amended by Chapter 66 Public Law 1933).

"It is essential in connection with the approval of the application for a reduction of capital stock of the national bank to determine whether or not the Mechanics' Trust Company

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"is a holding company affiliate of the national bank. You are therefore requested to advise the Board promptly whether the Mechanics' Trust Company is engaged in the banking business at the present time and if so the extent of its operations; whether the institution is in the hands of a State official for the purpose of liquidation or otherwise and, if so, the nature and extent of the supervision and control exercised by such official; whether such official exercises supervision and control subject to the order and direction of a court or other duly constituted public authority; and whether or not title to or control of the assets of the Mechanics' Trust Company is vested in such official."

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 & Citizens National Bank of Elizabeth City', Elizabeth City, North Carolina, from \$200,000 to \$100,000, pursuant to a plan which provides that the released capital, together with a portion of the bank's undivided profits and reserves, shall be used to eliminate unsatisfactory assets in the amount of approximately \$160,812, all as set forth in Mr. Awalt's letter of June 14, 1934.

"In considering the plan under which the reduction in common capital is to be effected, it has been noted that President Gaither and his interests have borrowed a substantial amount of the bank's funds and that the proposed eliminations will include approximately \$15,600 of such loans.

"The Board feels that, whenever the financial affairs of any bank official become so involved as to be the source of embarrassment and loss to the institution he serves, he has seriously impaired his usefulness and value to such institution. It has been noted also that your examiner severely criticized the operations of the subject bank's trust department, particularly as regards trust investments purchased from the commercial department of the bank. It is assumed, however, that you have these conditions in mind and that whenever it becomes feasible to do so you will require such corrections as may be practicable."

Approved.

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

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"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Casey National Bank', Casey, Illinois, 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/or others and that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate unsatisfactory assets in the amount of approximately \$35,000, all as set forth in Mr. Awalt's memorandum of June 15, 1934."

Approved.

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

"Receipt is acknowledged of Mr. Awalt's memorandum of June 15, 1934, in regard to the proposed reduction in capital of 'The City National Bank of Auburn', Auburn, Indiana, which was approved by the Board on February 16, 1934.

"Mr. Awalt advises that there was a misunderstanding in connection with the funds amounting to approximately \$3,600 to be raised locally and that the amount in question is not a voluntary cash contribution but, under an agreement with the parties who advanced the money, is reimbursable, together with six per cent interest, from the proceeds of liquidation of the eliminated assets.

"In accordance with Mr. Awalt's recommendation, the Board amends its previous approval to permit the reimbursement of the funds in question, together with interest at six per cent per annum, from the proceeds of liquidation of the eliminated assets, with the understanding that the other provisions of the plan as originally submitted remain unchanged."

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 Dyersville National Bank', Dyersville, Iowa, from \$25,000 to \$12,500, pursuant to a plan which provides that the bank's capital shall be increased by \$37,500 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate a

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"corresponding amount of unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of June 13, 1934."

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 Lumberman's National Bank of Chippewa Falls', Chippewa Falls, Wisconsin, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$75,000 of Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$75,000 of Class 'B' preferred stock to be sold to certain stockholders of the bank, and that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate securities depreciation in the amount of approximately \$99,000, all as set forth in Mr. Awalt's memorandum of June 12, 1934."

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 First National Bank of Miami', Miami, Oklahoma from \$250,000 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 that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in Mr. Awalt's memorandum of June 12, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected, it has been noted that the examiner criticizes the active management of the bank as unsatisfactory and unsafe. It is assumed that your office is aware of this condition and will require such corrections as are necessary."

Approved.

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

as follows:

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"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 Toppenish', Toppenish, Washington, from \$50,000 to \$20,000, pursuant to an amended plan which provides that the bank's capital shall be increased by \$30,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate estimated losses aggregating approximately \$26,135, to establish a surplus of \$2,000 and to augment the undivided profits account, all as set forth in Mr. Awalt's letter of June 16, 1934.

"It is understood that the plan of reduction of common capital hereby approved, supersedes the one approved by the Board on December 29, 1933."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has given consideration to the application of the "First National of Elmira Corporation", Elmira, New York, 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 Horseheads", Horseheads, New York, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to September 1, 1934, to act upon a proposal to increase the capital stock of such bank in the amount of approximately \$25,000 by the issuance of common stock and to amend the articles of association of such bank accordingly, provided that such proposal shall be approved by the Comptroller of the Currency."

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

Approved.

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

"From facts stated in your telegram June 16 it does not appear that either Capital Company or California Lands, Inc. is affiliate of Bank of America National Trust & Savings Association or that advances by bank to companies would be within provisions of Section 23A of Federal Reserve Act. However, if majority of directors, trustees, or other persons exercising similar functions of either company are directors of bank, or if their election is controlled in any manner by the bank, such company is affiliate of bank and advances by bank to such company would be within provisions of said Section 23A."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, transmitting copies of the call condition report forms to be used by State member banks in submitting reports as of the next call date, and stating that there have also been forwarded a supply of Federal Deposit Insurance Corporation Form No. 64-c, and that it will be appreciated if the agents will advise State member banks that the Federal Deposit Insurance Corporation has requested the Board to obtain for it the information regarding deposits and other supplemental information called for on the form and ask the banks if they will kindly fill out the form and mail two copies to the Federal reserve bank.

Approved.

Letter to the Attorney General of the United States, reading as follows:

"This refers to your letter of May 9, 1934 (JBK-WHR-29-24-67) in which you advised that in a large number of cases which have been reported to the Department of Justice by the Federal Reserve Board and the Comptroller of the Currency as possible violations of the provisions of Section 22(g) of the Federal

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"Reserve Act, it has been represented that the offending officers were not aware of such provisions or thought they were not to take effect until January 1, 1934. You suggested for the Board's consideration the advisability of transmitting to all member banks, including national banks, a circular advising of these provisions and the date upon which they became effective.

"The Board has already brought the provisions of Section 22 (g) to the attention of all banks and trust companies which are members of the Federal Reserve System through the publication in the Federal Reserve Bulletins for August and September, 1933, copies of which were mailed to all such institutions, of its ruling regarding the interpretation of the term 'executive officer' as used in that section and of your opinion of August 18, 1933, on the same subject; but pursuant to your suggestion, the Board has requested the Federal Reserve Agents, the Board's local representatives at the Federal Reserve Banks, to advise all member banks in their respective districts of the provisions of the section in question and the effective date thereof. There are inclosed for your further information copies of the Bulletins for August and September, 1933, on pages 501 and 569, respectively, of which you will find the ruling and opinion referred to above.

"You have requested that the Board furnish you with 100 copies of any circular issued in this connection for transmission to the United States Attorneys. Since the proposed circulars will be issued by the Federal Reserve Agents at the various Federal reserve banks rather than by the Federal reserve Board, the Board has requested each of the Federal Reserve Agents to furnish copies of the circulars to each of the United States District Attorneys in his district for their information."

Approved, together with a letter to the Federal reserve agents at all Federal reserve banks in accordance therewith.

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

"Referring your June 23 wire, the application of The First National Bank of Wallis, Wallis, Texas, approved by Board March 26, 1934, will be retained as part of Board's file in the case. Before payment on 32 shares of Federal Reserve bank stock is returned to organizers suggest you obtain approval of counsel for your bank."

Approved.

Letter to Mr. R. F. Momsen, of Norcop & Momsen, El Paso, Texas,

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reading as follows:

"Receipt is acknowledged of your letter of June 4, 1934, in regard to the question whether the Hachita Mercantile Company, Hachita, New Mexico, is engaged in receiving deposits within the meaning of Section 21(a) (2) of the Banking Act of 1933, which makes it unlawful, after June 16, 1934, for any person or organization other than a financial institution or private banker subject to examination and regulation under State or Federal law to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit or other evidence of debt, or upon request of the depositor, unless such person or organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal reserve bank of the district and shall publish periodic reports of condition.

"It will be noted that the section does not give to the Federal Reserve Board any jurisdiction or discretion regarding the matters with which it deals. The provision excepting corporations which shall submit to periodic examination by the Comptroller or Federal reserve bank of the district relates to corporations which 'shall submit' to such examination, and does not give to the Comptroller, the Federal reserve bank, or the Federal Reserve Board any discretion or power to require a corporation to submit to examination, or to determine what corporations should submit to examination. On the other hand, the section provides a penalty of fine or imprisonment for any violation of its provisions and the determination of the question whether a person should be prosecuted for such violation is a matter entirely within the jurisdiction of the Department of Justice.

"In view of these circumstances, an expression of opinion by the Federal Reserve Board on the question whether the section is violated would not afford protection from prosecution if the Department of Justice upon consideration of the matter should take the position that a corporation had violated the statute and should feel it necessary to prosecute for such violation. Accordingly, the Federal Reserve Board does not feel that it would be appropriate for it to undertake to express an opinion whether the Hachita Mercantile Company is receiving deposits within the meaning of this section.

"You state that the Hachita Mercantile Company does not object to examination by the Federal reserve bank of its district but it is your opinion that the corporation is not subject to examination by such bank. However, you also state that if the corporation is subject to examination it is ready and willing to submit thereto. You request advice as to the probable cost of such examinations and how often they are to be made.

"In view of the fact that the Hachita Mercantile Company of



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"Hachita, New Mexico, is located in the eleventh Federal Reserve District, your inquiry is being referred to the Federal Reserve Bank of Dallas which will communicate with you in regard to the matter."

Approved.

Memorandum dated June 13, 1934, from the Division of Examinations, commenting on the report of an examination of the Mexico City branch of The Chase Bank, New York, New York, made for the Federal Reserve Board as at the close of business on March 14, 1934, by Mr. K. E. Prickett, national bank examiner. The memorandum was accompanied by a proposed letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank, inclosing two copies of the report of examination.

The letter to Mr. Aldrich was approved.

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

"The Federal Reserve Board has received your letter of April 13, 1934, with inclosures, regarding the request of Mr. Frederic Ayer for a ruling on the question whether the General Capital Corporation is an organization 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of Section 32 of the Banking Act of 1933.

"It appears that the General Capital Corporation was incorporated under the laws of the State of Delaware in August, 1929 and is engaged in the business of holding for income and for capital appreciation the securities of other corporations; that it is not a dealer in securities and does not participate in the distribution or sale of securities to the public. It is stated that the company has not been a party to any agreement involving the distribution or sale of securities through underwriting syndicates of dealers in securities and is not now a party to such an agreement. Also, it appears that, except in connection with the original issue of its own stock in 1929, the company has not engaged in the distribution or sale of its own securities and is not now engaging in the distribution or sale of its own

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"securities to the public, although there is always the possibility that it may offer for sale its own treasury stock or stock not yet issued; and that at no time has the General Capital Corporation taken a short position in any securities or engaged in any other operation of a purely speculative nature.

"It is shown in connection with and incidental to its business of investing and reinvesting its assets during the past five years that the total sales prices of securities sold by it bear the following ratio to its total assets:

1929	Proportion of securities sold to total assets	12%
1930	" " " " " " " "	32.3%
1931	" " " " " " " "	19%
1932	" " " " " " " "	10.7%
1933	" " " " " " " "	18.2%

"During the same period the proportion of the value of securities purchased by it to its total assets is shown to be as follows:

1929	Proportion of securities purchased to total assets	85.2%
1930	" " " " " " " "	53.0%
1931	" " " " " " " "	22.5%
1932	" " " " " " " "	7.4%
1933	" " " " " " " "	28.2%

"The proportions of the company's portfolio with respect to the periods during which the same had been held at the end of each of the last four years is shown as follows:

	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>
Held 1 - 6 mos.	11.7%	8%	3.8%	7.4%
" 6 - 12 "	40.1%	10.9%	4.5%	14.8%
" 12 - 18 "	48.2%	6.3%	8.8%	1.2%
" over 18 "	--	74.8%	82.9%	76.6%

Since the company was formed in August, 1929, figures showing its holdings at the end of that year have no significance.

"On the basis of the foregoing the Board believes that the General Capital Corporation should not be regarded as being 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the intendment of the provisions of Section 32, either by reason of transactions in connection with the original issue of its own stock or in securities comprising its portfolio. In the circumstances a permit covering the relationships described in Mr. Ayer's letter to you, dated April 9, 1934, is not necessary, and unless there are other facts which you believe should be called to the attention of the Board, it is suggested that you advise Mr. Ayer accordingly."

Approved.

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

"In a number of instances recently Board advised you by telegram that it had granted permits for correspondent relationships under Section 32 of Banking Act of 1933 in connection with issues of municipal and other securities of kinds exempted from restriction of Section 5136 Revised Statutes. Several such telegrams have required filing of formal applications together with usual accompanying forms and have stated that formal permits would be prepared and forwarded. In view of Trans. 2015 Board waives requirement that formal applications be filed in those cases, and formal permits will not be forwarded. Please advise applicants."

Approved.

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

"Receipt is acknowledged of your letter of June 19, 1934, and inclosures regarding the application of Mr. Louis J. Horowitz under the provisions of Section 32 of the Banking Act of 1933 for a permit authorizing his service as a director of The Commercial National Bank and Trust Company, New York, New York, and as officer and director of Locust Valley Investment Company, Limited, Montreal, Canada.

"It appears from the letter of Mr. Horowitz dated May 3, 1934, a copy of which you inclosed, that Locust Valley Investment Company, Limited, is a privately owned company which buys and sells securities solely for its own account and investment; that it has no dealings whatever with the public; that it does not participate in transactions involving the issue, underwriting, or distribution of securities, either its own or others; and that changes in its portfolio of investments are made only when deemed prudent for the purpose of keeping its assets invested to good advantage.

"The applicant has not submitted the detailed information described in the Board's letter of March 12, 1934 (X-7820) regarding the volume of purchases and sales made by the company and other matters, but the statements made by the applicant in his letter of May 3, 1934, indicate that the company is engaged primarily in keeping its assets invested to the best advantage and that it is not engaged 'primarily in the business of' purchasing, selling, or negotiating securities within the intendment of Section 32 of the Banking Act of 1933. It will be appreciated if you will advise the applicant accordingly."

Approved.

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

"Reference is made to your letter of April 10, 1934, in regard to the application of Mr. William C. Langley under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Chemical Bank & Trust Company and as a partner in the firm of W. C. Langley & Company, both of New York, New York, and in regard to the Board's letter of March 24, 1934, which notified Mr. Langley that the Board was unable to find that it would not be incompatible with the public interest to grant his application.

"Inclosed with your letter of April 10, 1934, was a copy of a letter to you dated April 6, 1934, from Mr. Percy H. Johnston, president of the Chemical Bank & Trust Company, which stated that Mr. Langley was a very valuable director of the bank because of his knowledge of utility investments. The Board, however, believes that Mr. Johnston's letter contains no facts which would justify an exception in Mr. Langley's case, and that unless Mr. Langley wishes to submit additional facts or arguments, his application should be denied.

"Some weeks ago Mr. Guy Mason, of the law firm of Mason, Spalding & McAtee, Washington, D. C., called at the offices of the Board and discussed this application. At the conclusion of the discussion Mr. Mason stated that he would communicate with the applicant and explain the situation to him. Since the date of Mr. Mason's visit, no further letter has been received concerning this application. However, Mr. Frank Houston has recently discussed the application with members of the Board's staff and has explained that the Chemical Bank and Trust Company desires very much to have Mr. Langley complete the review in which he is now engaged of the public utility investments held by the estates in which the bank acts as trustee. The Board is of the opinion, however, that these facts do not justify an exception in Mr. Langley's case. Accordingly, it will be appreciated if you will advise Mr. Langley and Mr. Johnston that unless there are other facts to be submitted, the Board believes that Mr. Langley's application should be denied."

Approved.

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

"Receipt is acknowledged of your letter of June 19, 1934, referring to the Board's telegram of June 14, 1934, which stated that the Board granted a permit under Section 32 of the Banking Act of 1933 to the Manufacturers and Traders Trust Company,

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"Buffalo, New York, to act as correspondent bank for Adams, Mc-Entee & Co., Inc., New York, New York, and George D. B. Bonbright & Co., Rochester, New York, in connection with the issue of \$190,000 City of Binghamton bonds. You state that you have been advised that the bid submitted by this group was not successful in purchasing the bonds, and you therefore recommend that the Board do not require the filing of a formal application, although such a requirement was contained in the Board's telegram.

"In granting its permission and in requiring the filing of an application, the Board was acting without having before it sufficient information to determine whether the relationships in question were 'correspondent' relationships within the meaning of Section 32 and the Board's Regulation R, and the Board was therefore merely granting a permit to the extent that the same might be necessary under the law in order to remove any obstacles which Section 32 might place in the way of flotation of the issue. Although the formation of a group and the submission of an unsuccessful bid might be evidence, when considered in connection with other facts, that a correspondent relationship existed in a particular case, it does not appear from the facts which have been brought to the Board's attention in the present case whether the provisions of Section 32 are applicable to the relationship in question, and, in view of the fact that the bid submitted by this group was not successful, the Board will not require the filing of the formal application referred to in its telegram in connection with the issue of \$190,000 City of Binghamton bonds."

Approved.

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

"The Federal Reserve Board has received Mr. Young's letter of June 14, 1934, with inclosures, regarding the application of Mr. Frank R. Elliott for a permit under Section 32 of the Banking Act of 1933 to serve at the same time as director and officer of Harris Trust and Savings Bank, Chicago, Illinois, as director of the Elliott State Bank, Jacksonville, Illinois, and as director and officer of The N. W. Harris Company, Chicago, Illinois.

"In its telegram of June 12, 1934, to you in which the Board stated that no action had been taken on Mr. Elliott's application because of the lack of sufficient information, the Board did not contemplate that further information would be submitted by him subsequent to June 16, 1934. The Board granted the temporary permits mentioned in that telegram on the basis of information then before it that beginning with June 16, 1934, The N. W. Harris Company would be in liquidation which would not involve any new

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"business and that after that date the company would confine its activities to the sale of its assets. The Board pointed out in its letters transmitting temporary permits to other directors of The N. W. Harris Company to whom such permits were granted, copies of which letters were sent to you, that permits under Section 32 to serve The N. W. Harris Company and the member banks named in the various applications would not be necessary after the company ceased to engage in the investment business and commenced liquidation on June 16, 1934. Since that date has now passed, it is assumed that The N.W. Harris Company is complying with the provisions of the Banking Act of 1933, and the Board believes it would serve no useful purpose at this time to grant retroactively a permit covering a period prior to June 16, 1934. It will be appreciated if you will notify Mr. Elliott accordingly."

Approved.

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

"Reference is made to your letter of June 21, 1934, in regard to the application of Mr. Calvin Fentress under Section 32 of the Banking Act of 1933 for a permit 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. Inclosed in your letter was a copy of a letter to you dated June 16, 1934, from Mr. Calvin Fentress containing additional facts concerning his application.

"The Federal Reserve Board has noted the statements in the letter from Mr. Fentress to the effect that Baker, Fentress & Company made its last public offering of securities on or about June 2, 1930, and that since that date the company has devoted practically all of its time to the supervision and management of various companies in the forest industries, and to the reorganization of such companies. The Board has also noted the statement that Baker, Fentress & Company has no present plans for reengaging in the public offering of securities, and that if at a later time the company decides to reenter the business of underwriting and making public offerings of securities, such decision will be called to your attention.

"It appears from the above statements that Baker, Fentress & Company is no longer engaged in the business of purchasing, selling or negotiating securities and that the relationship covered by the application of Mr. Fentress is not within the provisions of Section 32 of the Banking Act of 1933. Unless there are other facts which you believe should be called to the attention

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"of the Board, it will be appreciated if you will advise the applicant accordingly."

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter dated June 16, 1934, in regard to the application of Mr. Louis R. Myers under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Bankers Commercial Trust Company and as president of the Southern Securities Company, both of Little Rock, Arkansas. It has been noted that you state in your letter that the Bankers Commercial Trust Company was converted into The Commercial National Bank of Little Rock on February 12, 1934, and that Mr. Myers' application which was submitted in December of 1933 should be changed accordingly.

"Inclosed with your letter of June 16, 1934, was a letter dated June 14, 1934, to Mr. C. M. Stewart, Assistant Federal Reserve Agent at the Federal Reserve Bank of St. Louis, from Mr. C. E. Crossland, vice president and cashier of The Commercial National Bank of Little Rock, stating that Mr. Myers has informed Mr. Crossland that the Southern Securities Company is at present engaged exclusively in a brokerage business and that Mr. Myers has no intention of conducting other than a strictly brokerage business in the future.

"The Federal Reserve Board is of the opinion that the provisions of Section 32 are not applicable to a company which is engaged exclusively in a brokerage business consisting of the purchase and sale of securities on behalf of others in the open market. Accordingly, it will be appreciated if you will advise Mr. Myers that in view of the statement contained in Mr. Crossland's letter to the effect that the Southern Securities Company is engaged exclusively in a brokerage business, no permit under Section 32 is deemed to be necessary in connection with the relationship covered by his application."

Approved.

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

"Reference is made to the applications of Laidlaw & Company, New York, New York, under Section 32 of the Banking Act of 1933 for permits to serve as 'correspondent dealer' for The Bank of California, National Association, San Francisco, California, and

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"to The First National Bank of Lewiston, Lewiston, Idaho.

"It appears from the information contained in its applications that Laidlaw & Company conducts a banking business and a brokerage business involving the purchase and sale of securities on behalf of others in the open market, and that the company is not engaged in the issue, flotation, or distribution of securities, or in purchasing and selling securities as a principal. It is also noted that Laidlaw & Company holds funds on deposit for the above-mentioned national banks.

"The Board believes that the provisions of Section 32 are not applicable to a company engaged in such business, and has therefore decided that no permits are required in connection with the relationships between Laidlaw & Company and the above-mentioned banks. Unless there are other facts which you believe should be called to the Board's attention, please advise the applicant accordingly.

"The above statements should not be construed as an expression of opinion by the Board concerning the applicability of Section 21 of the Banking Act of 1933 to the business of Laidlaw & Company. Section 21 makes it unlawful for a dealer in securities to engage in the business of receiving deposits after June 16, 1934, but as that section provides a penalty of fine or imprisonment or both for violation of its provisions, the interpretation of that section is a matter entirely within the jurisdiction of the Department of Justice. Since an expression of opinion by the Federal Reserve Board as to what would constitute a violation of that section would not afford protection from criminal prosecution if the Department of Justice should take a contrary position, and determine to prosecute for a violation thereof, the Federal Reserve Board believes that it would not be appropriate to express an opinion upon the question of whether or not the business of Laidlaw & Company constitutes a violation of Section 21."

Approved.

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

"This refers to your letter of May 25, 1934, transmitting the application of Mr. Albert L. Miller for permission under the Clayton Act to serve at the same time as director of the Batavian National Bank and the Citizens Loan and Investment Company, both of La Crosse, Wis.

"It is noted that the Citizens Loan and Investment Company is an independent loan company operating on its own capital and licensed by the State of Wisconsin to make loans. It appears, therefore, that this company operates under and is subject to the provisions of Chapter 214 of the Laws of Wisconsin of 1933



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"relating to small loans. Under this chapter, a corporation may be licensed by the State Banking Department to make small loans of the amount or value of \$300 or less, upon the compliance of the corporation with the requirements of that chapter. A licensee under this chapter is not authorized to receive deposits in any form or to engage in any other typical banking functions. In this connection it is noted that the statement of condition of the Citizens Loan and Investment Company does not show any deposits listed among the liabilities of that company.

"After careful consideration of the application and the opinion of Messrs. Geo. H. Gordon, Law & Gordon, counselors at law, submitted therewith, the Board is of the opinion that the Citizens Loan and Investment Company is not a bank within the meaning of Section 8 of the Clayton Act, so as to authorize the Federal Reserve Board to issue a permit covering the service of Mr. Miller as director of such company and as director of the Batavian National Bank.

"It appears, however, that the principal business of the Citizens Loan and Investment Company consists of making character loans and engaging in automobile financing and that only at rare intervals such company makes loans secured by stocks or bonds. In this connection, you are authorized to advise Mr. Miller that if the company makes no more loans secured by stocks or bonds within the meaning of Section 8A of the Clayton Act his relationship described above will not be subject to such provision of law.

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

Approved.

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

Mr. August H. Ludwig, for permission to serve at the same time as a director of the West New Brighton Bank, West New Brighton, S. I., New York, and as a director of the Federal Home Loan Bank of Newark, Newark, New Jersey.

Mr. H. H. Bright, for permission to serve at the same time as a director and officer of the First National Bank in Miles City, Miles City, Montana, and as a director and officer of the Forsyth State Bank, Forsyth, Montana.

Approved.

There were then presented the following applications for

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changes in stock of Federal reserve banks:

Applications for ORIGINAL Stock:SharesDistrict No. 3.First National Bank in Newfield, Newfield,  
New Jersey

36

36

District No. 8.Boonville National Bank, Boonville,  
Indiana

45

45

Total81

Approved.

Thereupon the meeting adjourned.

Chester Mowice  
Secretary.

Approved:

E. R. Black  
Governor.