

A meeting of the Federal Reserve Board was held in Washington on Thursday, July 12, 1934, at 3:15 p. m.

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

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

The Board considered and acted upon the following matters:

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

"Your telegram July 11. Federal Reserve Board approves for your bank the following rates on industrial advances under provisions of Section 13b of the Federal Reserve Act, as amended, effective immediately: On direct advances to established industrial or commercial businesses 4% to 6% per annum; on portions of rediscounts and advances to banks and other financing institutions for which the financing institutions retain the risk, 3% per annum; and on portions of advances on which the financing institutions are relieved of risk, $3\frac{1}{2}$ % to 5% per annum. Board also approves for your bank, effective immediately, commitment charge on industrial advances of $\frac{1}{2}$ % per annum with a minimum of $\frac{1}{2}$ % for commitments of less than one year. Board notes with approval from your telegram that board of directors of your bank, at its meeting on July 11, made no changes in your existing schedule of rates of discount and purchase other than establishment of rates referred to above."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your telegram July 9. Federal Reserve Board approves for your bank following rates on industrial advances under provisions of Section 13b of Federal Reserve Act, as amended, effective immediately: 6% per annum on direct advances to established

7/12/34

-2-

"industrial or commercial businesses; $4\frac{1}{2}\%$ per annum on advances to member banks; 5% per annum on advances to non member banks; and 5% per annum on advances to financing institutions other than banking institutions. Board also approves for your bank commitment rate on industrial advances of 1% flat."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Your letter July 7. Board approves appointment by your bank of following members of Industrial Advisory Committee of Sixth District: Wm. A. Parker, Morgan McNeel, John Sanford, A. R. Forsyth, and Ernest T. George, it being understood on basis of information submitted that each of the above-named persons is actively engaged in some industrial pursuit within the Sixth District. Please confirm acceptance of appointments."

Approved, together with a telegram to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram July 11. Board approves appointment of Norman E. Elsas as a member of Industrial Advisory Committee of your bank vice Morgan McNeel, who was unable to accept appointment. Please confirm acceptance of appointment."

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"Your telegram. Board approves appointment by your bank of following members of Industrial Advisory Committee of Eighth District: William K. Norris, Jacob Vandyke, Maurice Weil, Henry S. Gray and M. E. Finch, it being understood on basis of information submitted that each of the above-named persons is actively engaged in some industrial pursuit within the Eighth District. Please confirm acceptance of appointments."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of

7/12/34

-3-

Minneapolis, reading as follows:

"Retel ninth. Board approves appointment of Messrs. Sheldon B. Wood, John Bush and F. R. Angell as members of the Industrial Advisory Committee for Ninth District, with understanding that only two of these men will be selected to fill vacancies created by reason of refusal of Messrs. Hiram Elliott and S. L. Sewall to serve on committee. Please wire names of members of Advisory Committee as finally constituted."

Approved.

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

"Your telegram. Board approves appointment by your bank of following members of Industrial Advisory Committee of Eleventh District: Clarence Ousley, Will B. Marsh, Charles R. Moore, Lewis R. Ferguson and W. B. Wise, it being understood on basis of information submitted that each of the above-named persons is actively engaged in some industrial pursuit within the Eleventh District."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Governor Calkins of the Federal Reserve Bank of San Francisco, reading as follows:

"Retel ninth. Board approves appointment by your bank of following members of Industrial Advisory Committee of Twelfth District: Ralph Burnside, Shannon Crandall, Henry D. Nichols, Stuart L. Rawlings and H. L. Terwilliger, it being understood on basis of information submitted that each of the above-named persons is actively engaged in some industrial pursuit within the Twelfth District. Please confirm acceptance of appointments."

Approved.

Telegram to Mr. Burgess, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Retel. Board approves temporary employment by your bank of Seldon O. Martin to assist in organizing and carrying on the work in connection with loans to industry under Section 13b of the Federal Reserve Act, with compensation at the rate of \$2,000 per

7/12/34

-4-

"month, effective as of date he assumes his duties. Please advise date duties assumed."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring your letter July 7 Board approves appointment Reuben B. Hays as Executive Secretary of the Industrial Advisory Committee for Fourth district, with salary at the rate of \$7,200 per annum, effective as of date he assumes his duties. Please advise date duties assumed."

Approved.

Letter dated July 11, 1934, approved by four members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to Mr. Fletcher's letter of June 21, 1934, recommending approval of the application of The Southern Ohio Savings Bank and Trust Company, Cincinnati, Ohio, for permission to absorb its affiliate, the Southern Ohio Loan Company, Cincinnati.

"The Board has reviewed the information submitted, from which it appears that the transaction will result in no material change in the general character of the assets of, or broadening in the scope of functions exercised by, The Southern Ohio Savings Bank and Trust Company, within the meaning of the general condition under which the bank was admitted to membership. The Board, therefore, will interpose no objection to the transaction, provided that none of the assets of the Southern Ohio Loan Company which were classified as doubtful, estimated losses, and unacceptable by your examiner in his report as of May 23, 1934, are taken into the assets of The Southern Ohio Savings Bank and Trust Company; that the transaction is approved by the appropriate State authorities; and that prior to the absorption, such bank, if it has not already done so, has charged off or otherwise eliminated estimated losses of \$3,874, as shown in the report of examination of such bank as of March 19, 1934, made by one of your examiners, and has effected the adjustment in its other real estate account prescribed in condition of membership numbered 21.

"Upon prompt consummation of the transaction as above outlined, the Board will consider that conditions numbered 20 and

7/12/34

-5-

"21 prescribed in connection with the bank's application for membership have been complied with. Please advise the Board when the absorption has been completed.

"It is understood that the absorption will not result in any change in the corporate existence of The Southern Ohio Savings Bank and Trust Company which will affect its status as a member bank. However, if you have not already done so, it is suggested that you obtain the advice of your counsel on this point. Please also furnish the Board with a copy of any opinion of your counsel in this connection, together with a copy of any amendments to the charter of the bank as a result of the transaction.

"In the Board's letter to you under date of December 15, 1933, advising of its action in connection with the bank's application for membership, attention was called to the bank's practice, as reflected in the report of examination of the institution as of October 16, 1933, made by one of your examiners, of permitting the drawing of checks against savings deposits, which practice, after admission to membership, would be in violation of Section 19 of the Federal Reserve Act and of the Board's Regulation Q. The report of examination as of March 19, 1934, shows that the bank has continued to permit checking on savings deposits in violation of the law and of the regulation above referred to. Mr. Fletcher's letter of April 7, 1934, indicates that your office has called the bank's attention to the violations, and it will be appreciated if you will advise the Board whether the practice has since been discontinued."

Approved.

Letter dated July 10, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of June 18, 1934, with reference to the report of examination of the Southern Arizona Bank and Trust Company, Tucson, Arizona, as of April 18, 1934, which report and supplemental information in connection therewith had been received by the Board.

"You advise that the bank has charged off the estimated losses in loans and discounts, as classified by your examiner, together with the losses in other real estate reclassified on the basis of information received subsequent to the examination, and has requested that it be permitted to defer charging off securities depreciation of \$10,622, which is also classified as loss in the report of examination and which consists of depreciation, less net appreciation in defaulted bonds, in \$40,000 par value of Salt River Valley Water Users Association bonds which

7/12/34

-6-

"are rated as lower grade securities by the examiner and constitute the bank's only investment in bonds included in this group.

"At least one recognized investment service organization, Fitch Bond Record, gives the bonds in question a current rating of BBB. The bank advises you that the State Banking Commissioner has given it permission to continue to carry the bonds at book value until later in the year, and it is noted that the bank has a non-ledger asset, in the form of cash surrender value of a life insurance policy on the life of the President, the amount of which is in excess of the estimated depreciation in Salt River Valley Water Users Association bonds.

"In the circumstances, the Board concurs in your opinion that it will not be necessary to require the bank to charge off the depreciation in question at this time."

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 Old Lowell National Bank', Lowell, Massachusetts, from \$1,000,000 to \$500,000, pursuant to a plan which provides that the bank's capital shall be increased by \$500,000 of new common stock to be sold to certain directors and shareholders who have in the bank subordinated deposits in that amount and who will use such funds for this purpose, and that no part of the released capital shall be returned to shareholders but, with such part of surplus and undivided profits accounts as may be necessary, shall be used to eliminate the least desirable assets in the bank including all the depreciation in lower grade securities, in accordance with the plan set forth in your memorandum of July 5, 1934. It is assumed that the contemplated elimination of undesirable assets will include all estimated losses together with all depreciation in lower grade securities."

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 Central National Bank of Mineola', Mineola, New York, from \$100,000 to \$75,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock

7/12/34

-7-

"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 your memorandum of July 2, 1934."

Approved.

Letter dated July 10, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your supplemental memorandum of July 3, 1934, with reference to the proposed reduction in the common capital of 'The First National Bank of Marathon', Marathon, New York, which was approved by the Board on April 17, 1934, pursuant to a plan which provided for the sale of \$25,000 of Class 'A' preferred stock to the Reconstruction Finance Corporation and \$25,000 of Class 'B' preferred stock locally.

"It is understood from your supplemental memorandum that the foregoing plan of recapitalization has been amended and that the bank now proposes to sell only \$25,000 of preferred stock which the Reconstruction Finance Corporation has agreed to purchase.

"In accordance with your recommendation, the Board approves the amended plan providing for the sale of \$25,000 of preferred stock as set forth in your supplemental memorandum of July 3, 1934, with the understanding that the other provisions of the plan remain unchanged."

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 Tully', Tully, New York, from \$50,000 to \$15,000, pursuant to a plan which provides that the bank's capital shall be increased by \$45,000 of preferred stock to be sold to the Reconstruction Finance Corporation and others, and that no part of the released capital shall be returned to shareholders but, with such part of undivided profits account as may be necessary, shall be used to eliminate depreciation in securities and estimated losses in other assets, in accordance with the plan set forth in your memorandum of June 29, 1934."

Approved.

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

7/12/34

-8-

as follows:

"In accordance with your request the Federal Reserve Board approves a reduction in the common capital stock of 'The Farmers & Mechanics National Bank of Williamstown', Williamstown, West Virginia, from \$40,000 to \$25,000, pursuant to an amended plan which provides that the bank's capital shall be increased by the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation and provides also that approximately \$72,700 of unacceptable assets will be eliminated from the bank through the use of the released capital, part of the bank's surplus and undivided profits and the sale at par to directors and other interested parties of approximately \$50,000 of such unacceptable assets, all as set forth in your letter of June 27, 1934 and accompanying memorandum dated June 21, 1934 outlining the plan of reorganization.

"In considering the plan under which the proposed reduction in capital is to be effected it is observed that certain of the unacceptable assets of the bank are to be sold to directors and other interested parties at par and it is assumed that the balance of the unacceptable assets which are to be eliminated under the proposed plan will remain the property of the bank, and accordingly none of the released capital funds will be returned to stockholders."

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 Kissimmee', Kissimmee, Florida, from \$50,000 to \$35,000 pursuant to a plan which provides that the released capital shall be credited to the surplus account from which unsatisfactory assets may be charged off, as set forth in your letter of June 27, 1934."

Approved.

Letter dated July 10, 1934, to Mr. O'Connor, Comptroller of

the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of June 29, 1934, with reference to the proposed reduction in the common capital stock of 'The First National Bank of Crown Point', Crown Point, Indiana, which was approved by the Board on May 12, 1934,

7/12/34

-9-

"pursuant to a plan which provided among other things for a voluntary contribution of approximately \$13,000 to be raised locally.

"You advise that due to appreciation in the bank's investment securities, it is now necessary to raise locally only \$6,753.39, instead of approximately \$13,000 as originally contemplated, in order to effect the desired eliminations as set forth in your memorandum of May 4, 1934.

"In view of the improvement reported and the consequent reduction in the amount of criticized assets to be removed, and in accordance with your recommendation, the Board amends its previous approval by eliminating the requirement for a local contribution of approximately \$13,000 with the understanding that approximately \$6,750 of unsatisfactory assets will be purchased outright by local interests for a like amount of cash, and that the other provisions of the original plan will remain unchanged."

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 Normal', Normal, Illinois, from \$65,000 to \$26,000, pursuant to a plan which provides that the bank's capital shall be increased by \$74,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with approximately \$41,000 to be raised locally and such portion of the bank's surplus and undivided profits as may be necessary, shall be used to eliminate unsatisfactory assets in the amount of approximately \$99,858, all as set forth in your memorandum of June 23, 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 Security National Bank of Sheboygan', Sheboygan, Wisconsin, from \$500,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$400,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital, together with approximately \$424,000 from the bank's surplus and undivided profits and \$100,000 to be raised locally, shall be used to eliminate

7/12/34

-10-

"unsatisfactory assets in the amount of approximately \$924,000, all as set forth in your memorandum of June 22, 1934.

"In considering the plan under which the proposed reduction in common capital stock is to be effected, it was noted that your examiner severely criticized certain individuals connected with the bank's management, indicating that in his opinion the bank would benefit by their removal. It is assumed that you have this condition in mind and will take appropriate steps toward effecting necessary corrections in connection therewith."

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 'Traders Gate City National Bank of Kansas City', Kansas City, Missouri, from \$400,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$300,000 of preferred stock to the Reconstruction Finance Corporation and the use of the released capital in eliminating a corresponding amount of substandard assets, all as set forth in your memorandum of June 26, 1934."

Approved.

Telegram dated July 10, 1934, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consideration to the application of the "Northwest Bancorporation", Minneapolis, Minnesota, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in the "Spokane and Eastern Trust Company", Spokane, Washington, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to issuance of such limited voting permit Northwest

7/12/34

-11-

"Bancorporation shall represent, undertake, and agree

"(1) that so long as the capital debentures issued by the Spokane and Eastern Trust Company, Spokane, Washington, pursuant to the plan for the recapitalization of such trust company, are outstanding, Northwest Bancorporation will do such things as may be necessary to cause such debentures to be shown in the published statements of condition of such trust company in substantially the following manner: (a) the par value of such debentures shall be included in the amount shown opposite the item 'capital', and under such item there shall be inserted an explanation reading as follows: 'Includes BLANK dollars par value common stock and BLANK dollars par value capital debentures sold to Reconstruction Finance Corporation': provided, however, that there may be added to such explanation, if the law of the State of Washington so requires, or the trust company so desires, the following: 'which debentures are subordinate to the rights of depositors and other creditors'; (b) the amounts of capital stock and debentures shown in each such explanation shall represent and be equal to the aggregate par value of such stock and debentures outstanding as of the date of the statement.

"(2) That it will do such things as may be necessary to cause the said Spokane and Eastern Trust Company to eliminate from its assets as soon as practicable, and in any event prior to September 1, 1934, estimated losses in the aggregate amount of \$245,321.11, as shown in the report of credit investigation of such bank made as of March 12, 1934, by an examiner for the Federal Reserve Bank of San Francisco, and at least \$132,240 of other substandard assets to be selected under the direction of the Supervisor of Banking for the State of Washington in agreement with the Federal Reserve Agent at the Federal Reserve Bank of San Francisco."

and for the following purpose:

"To authorize the issuance and sale to the Reconstruction Finance Corporation by the Spokane and Eastern Trust Company, Spokane, Washington, of its capital debentures in an aggregate amount of not less than \$750,000."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Northwest Bancorporation, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with. The telegram stated also that, subject to the Northwest Bancorporation's entering into the

7/12/34

-12-

agreements required under the condition referred to above, the Board agrees to cancel, and to release such corporation from its obligation to satisfy, the particular agreements entered into pursuant to subdivisions (b), (c), and (d) of subparagraph (2) of the conditions of the Board's telegram of December 27, 1933, authorizing the issuance of a limited voting permit to such corporation entitling it to vote its stock in the Spokane and Eastern Trust Company, Spokane, Washington, and The Security National Bank of Cheney, Cheney, Washington; that, however, it is understood that all other agreements entered into pursuant to said subparagraph (2) of said telegram of December 27, 1933, are and shall continue in full force and effect and that the plan for the adjustment of the capital structure of the said Spokane and Eastern Trust Company referred to in such agreements shall be deemed to refer to the plan for the recapitalization of the said trust company as modified by the telegram of July 10; that it is requested that the agent secure from the Northwest Bancorporation a written confirmation of such understanding prior to the issuance of the permit authorized by the telegram; that the Board feels that the principles expressed in its letter dated April 14, 1934 (X-7868-a), relating to the manner of showing capital debentures in the reports and published statements of a bank, should be followed substantially in all similar cases; that, based upon current figures available, it does not appear that the capital of the Spokane and Eastern Trust Company is now impaired; and that, if the laws of the State of Washington are such that capital debentures sold to the Reconstruction Finance

7/12/34

-13-

Corporation cannot be regarded as a part of the capital structure of the bank unless included with the item "capital" or "surplus" and accompanied by an explanation in the reports and published statements that such debentures are subordinate to the rights of depositors and other creditors and the bank desires to include the capital debentures in a total of "capital", covered by such explanation, the Board raises no objection to such method, provided the explanation is complete and correct in its description as to the total amount of the par value of such capital debentures and capital stock outstanding; but that it feels that the proposed method of showing such debentures as "surplus" is objectionable. The telegram stated further that, in any case where an impairment of capital stock exists, the issuance of capital debentures which are obligations of the bank does not repair or cure the impairment, but merely supplements the diminished capital structure for the further protection of depositors and other creditors and in all such cases an existing impairment of capital stock can be removed or cured only through contributions and/or capital stock reductions. The telegram added that the Board feels that the principles expressed in (1) (a) and (b) of the condition of the telegram are applicable in all cases where capital notes or debentures have been sold to the Reconstruction Finance Corporation and under State law cannot be regarded as a part of the capital structure if shown as a separate item in statements of condition; and that in any case where the aggregate amount of the net capital structure, or net worth accounts, including such capital notes or debentures, is less than the total par value of

7/12/34

-14-

the capital stock and capital notes or debentures outstanding, no amounts of surplus or undivided profits should be shown separately in reports and published statements.

Approved.

Telegram dated July 11, 1934, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consideration to the application of the "Northwest Bancorporation", Minneapolis, Minnesota, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in the "Daly Bank and Trust Company of Anaconda", Anaconda, Montana, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to September 30, 1934 to act upon a proposal to fix the number of directors of such bank and to amend the bank's articles of association accordingly, to act upon a proposal to amend the bank's by-laws or to adopt a new set of by-laws, provided that the by-laws as so amended or adopted shall conform to applicable provisions of law, and also to elect directors and to conduct such business of a routine nature as is ordinarily conducted at the annual meetings of the bank."

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

Approved.

In connection with the above, there was presented a second telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve

7/12/34

-15-

Bank of Minneapolis, also dated July 11, 1934, and approved by four members of the Board, stating that the Board has given consideration to the application of the "Northwest Bancorporation", Minneapolis, Minnesota, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in the "Union Bank and Trust Company", Helena, Montana, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to September 30, 1934 to act upon a proposal to fix the number of directors within the scope permitted by the amended articles of association of the bank, to act upon a proposal to amend the bank's by-laws or to adopt a new set of by-laws, provided that the by-laws as so amended or adopted shall conform to applicable provisions of law, and also to elect directors and to conduct such business of a routine nature as is ordinarily conducted at the annual meetings of the bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Northwest Bancorporation, a limited voting permit in accordance with the telegram. The telegram also referred to a letter dated June 29, 1934, from Mr. Gardner B. Perry, Vice President of the Northwest Bancorporation with respect to The First National Bank of Dillon, Dillon, Montana, which letter was forwarded with the agent's letter of June 30, 1934, and stated that the office of the Comptroller of the Currency has informally advised that the amendment of the bank's by-laws for the purposes indicated should be by directorate action and a permit for the stockholders vote therefor appears unnecessary; and that it is requested that the agent advise the applicant accordingly and notify the Board if, for any

7/12/34

-16-

reason, the permit is still desired.

Approved.

Letter dated July 11, 1934, approved by four members of the Board, to Mr. J. Raymond Dyer, Legal Advisor, Finance Section, National Recovery Administration, reading as follows:

"I have your letter of June 28, 1934, in which you state that Article VIII, Section 3, of the Code of Fair Competition for Bankers is the subject of present discussions aimed toward its possible deletion from the Code and substitution therefor of a provision under which the approval by the Administrator for National Industrial Recovery of uniform service charges by banks will not be required; and you request my views with respect to the matter. It is understood that the only change which is under consideration in the provision of Section 3 of Article VIII in question would be the deletion of the words 'subject to the approval of the Administrator'.

"Member banks of the Federal Reserve System are, of course, subject to the provisions of the Federal Reserve Act and of the Board's regulations made pursuant thereto and, accordingly, they must comply with the provisions of Section 19 of the Act and of Regulation Q relating to the payment of deposits and interest thereon, even though the requirement for the approval of the Administrator for National Industrial Recovery of service charges should be eliminated from the Code of Fair Competition for Bankers. The deletion of the clause in question, therefore, will not have any effect upon the necessity for compliance by member banks of the Federal Reserve System with the requirements of the law and of the Federal Reserve Board which relate to the payment of interest on deposits either directly or by some indirect method such as the absorption of charges in connection with the collection of checks. However, Section 19 of the Federal Reserve Act and the Board's Regulation Q on this subject are not applicable to non-member banks of the Federal Reserve System and, in view of the fact that paragraph 2 of Article VIII of the Code does not subject such banks to all of the requirements applicable to member banks in this connection, it may be that you will wish to give consideration to the advisability of including a provision in the Code substantially to the effect that all banks subject thereto shall comply with the requirements of the Federal Reserve Act and of the Federal Reserve Board's regulations relating to the payment of deposits and interest thereon by member banks of the Federal Reserve System.

7/12/34

-17-

"You also suggest the possibility that, as the Code sanctions the concerted action of banks in fixing uniform service charges, a violation of the anti-trust laws may be involved. The question whether banks are corporations engaged in commerce within the meaning of the anti-trust laws is one which I believe has not been settled by the courts but it is my understanding that as a practical matter the provisions of those laws, with the exceptions of the sections which in terms relate to banks, have not customarily been applied to banks.

"I appreciate your courtesy in writing me with regard to the proposed change in the Code."

Approved.

Letter dated July 9, 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. S. L. Allen, for permission to serve at the same time as a director and officer of the Aberdeen National Bank & Trust Company, Aberdeen, South Dakota, and as a director of The First National Bank of Leola, Leola, South Dakota.

Approved.

Letter dated July 9, 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. T. J. Thompson, for permission to serve at the same time as a director of the First National Bank of Barron, Barron, Wisconsin, and as a director of the Bank of Barron, Barron, Wisconsin.

Approved, together with a letter, also dated July 9, 1934, and approved by three members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"There is inclosed for your files a copy of the Clayton Act permit issued by the Board to Mr. T. J. Thompson, Barron, Wisconsin, to serve as director of the First National Bank of

7/12/34

-18-

"Barron and the Bank of Barron, both of Barron, Wisconsin.

"In considering Mr. Thompson's application, it was noted that the two banks which he is serving are engaged in active competition for all classes of business; that there are three banks in Barron, which, in the opinion of the national bank examiner, is too small to support that number of banking institutions, and while he has recommended the merger of the banks in Barron no results have been accomplished; that Mr. Thompson's financial affairs are involved and his obligations to the institutions which he is serving have been criticized by the examiner; and that the Bank of Barron, particularly, was in poor condition. In granting the permit, the Board took into consideration that the applicant has been a director of the national bank for seven years and of the State bank for two years; that his services are said to have resulted in no restriction of credit or substantial lessening of competition; and that he has been a resident of Barron for thirty years and is said to have a good knowledge of the financial condition of the banks' borrowers.

"In all the circumstances, the Board feels that it would be preferable to grant the permit in order to avoid any misunderstanding by the community which might prove detrimental to the best interests of the banks. However, the Board desires that when you submit your recommendation as a result of your annual review of this permit, you report fully as to the improvement made in the condition of the banks served by Mr. Thompson and his indebtedness to those institutions."

Letter dated July 10, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. H. K. Alexander, for permission to serve at the same time as a director of the Second National Bank and Trust Company of Cortland, Cortland, New York, as a director of The Homer National Bank, Homer, New York, and as a director and officer of The Cortland Trust Company, Cortland, New York.

Approved.

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

7/12/34

-19-

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
The Poultney National Bank, Poultney, Vermont	36	36
<u>District No. 7.</u>		
The First National Bank in Amboy, Amboy, Illinois	36	36
<u>District No. 12.</u>		
First National Bank in Condon, Condon, Oregon	36	36
	<u>36</u>	<u>36</u>
	Total	108
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
The Salt Springs National Bank of Syracuse, Syracuse, New York	660	
The Seneca National Bank of West Seneca, West Seneca, New York	42	
First National Bank and Trust Company of Ridgewood, Ridgewood, New Jersey	480	
The Hewlett-Woodmere National Bank of Woodmere, Woodmere, New York	<u>39</u>	1221
<u>District No. 7.</u>		
The First National Bank of Lime Springs, Lime Springs, Iowa	24	
The Farmers National Bank of Crystal Lake, Crystal Lake, Iowa	<u>22</u>	46
<u>District No. 11.</u>		
The First National Bank of White Deer, White Deer, Texas	36	
The First National Bank of Canyon, Canyon, Texas	30	
The Angleton State Bank, Angleton, Texas	<u>34</u>	100
<u>District No. 12.</u>		
The Auburn National Bank, Auburn, Washington	36	
The First National Bank of Shelton, Shelton, Washington	60	96
	<u>60</u>	<u>96</u>
	Total	1,463

Approved.

7/12/34

Thereupon the meeting adjourned.

Orestes Inoué
Secretary.

Approved:

E. R. Beach
Governor.