

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, July 21, 1934, at 11:30 a. m.

PRESENT: Mr. Thomas, Chairman, Executive Committee
Mr. James
Mr. Szymczak

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

The Committee considered and acted upon the following matters:

Telegram dated July 20, 1934, approved by three members of the Board, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Your letter July 18 to Governor Black. Board approves for your bank, effective immediately, rate of from 4% to 6% per annum on direct advances to established industrial or commercial businesses under section 13b of Federal Reserve Act, in place of rate of 5% to 6% per annum approved by Board on July 9, 1934."

Approved.

Telegram dated July 20, 1934, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Your telegram July 19. Board approves for your bank following rates on industrial advances under provisions of section 13b of Federal Reserve Act, as amended, effective July 20, 1934: 5% to 6% per annum on direct advances to established industrial or commercial businesses; 3% to 4% per annum on portions of advances to banks and other financing institutions for which institutions retain responsibility; and 4% to 5% per annum on portions of advances to banks and other financing institutions for which institutions are relieved of responsibility. Board also approves for your bank, effective July 20, 1934, following commitment rate on industrial advances: 1% to 2% per annum depending on (a) whether commitment is to direct borrower, (b) whether commitment is to bank or financial institution, (c) the proportion of responsibility retained by bank or financing institution, and (d) length of time for which commitment is made. Board notes with approval from your telegram that board of directors of your bank, at its meeting on July 19, 1934, made no change in your

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"existing schedule of rates of discount and purchase other than establishment of rates referred to above."

Approved.

Memorandum dated July 16, 1934, from Mr. Parry, Assistant Director of the Division of Research and Statistics, recommending the temporary appointment, for a period of three months, of Miss Lois A. Crim as a stenographer in the division, with salary at the rate of \$1,440 per annum, effective July 26, 1934.

Approved.

Letter dated July 20, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Mr. Awalt's letter of July 13 recommending increases in salaries for the employees and in the amounts set out below has been brought to the attention of the Board. The Board approves the increases in salaries recommended and fixes the salaries of these employees, effective August 1, 1934, as follows:

<u>Name</u>	<u>Salary</u>
Roman Dingler, Clerk-Messenger	\$1,500
Mrs. Sarah Sithens, Clerk-Counter	1,500
Mrs. Edna L. Todd, Clerk-Counter	1,500
Mrs. H. T. Brinker, Clerk-Counter	1,500
Miss Janet Oliphant, Clerk-Counter	1,500 "

Approved.

Memorandum dated July 17, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated July 9 from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, which requested approval of changes in the personnel classification plan of the bank

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to provide for the new positions of "guard" in the custodian-Reconstruction Finance Corporation department of the head office, and "assistant to chief clerk" and "vault custodian" in the custodian-Reconstruction Finance Corporation department of the Jacksonville branch, and increases in the salary ranges of the positions of "stock room clerk" and "office boy" at the New Orleans branch. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by three members of the Board on July 20, 1934.

Approved.

Letter dated July 20, 1934, prepared in accordance with the action taken at the meeting of the Board on July 17 and approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of June 22, 1934, submitting the application of the Savings Banks Trust Company of New York, New York, for membership in the Federal Reserve System.

"The application of the Savings Banks Trust Company has been given careful consideration by the Federal Reserve Board and it is understood that, while it has general banking and trust powers, the trust company was organized as a part of a plan to make additional credit facilities available to mutual savings banks which hold the capital stock of the trust company, that its relations are principally with such mutual savings banks, and that it is not engaged in the business of receiving deposits from or making loans to or otherwise dealing with the public generally. As you know, under the provisions of the Federal Reserve Act mutual savings banks are themselves eligible for admission to membership in the Federal Reserve System, with the approval of the Federal Reserve Board, and upon admission the facilities of the Federal Reserve System are available to them. In the circumstances, the Board is of the opinion that the Savings Banks Trust Company is not an institution of the kind which it is contemplated should be admitted to membership in the

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"Federal Reserve System under the provisions of the Federal Reserve Act, and, accordingly, the Board has decided not to approve its application for membership in the Federal Reserve System. However, the Board will be glad to give consideration to applications for admission to membership in the Federal Reserve System from any of the mutual savings banks holding stock in the Savings Banks Trust Company or from any other mutual savings banks. You are requested to advise the Savings Banks Trust Company accordingly."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of May 24, 1934, and Mr. McRae's letters of June 30 and July 16, 1934, all of which relate to condition of membership numbered 21 prescribed in connection with the application of the Fall River Trust Company, Fall River, Massachusetts, which provides that the bank shall, within six months from the date of its admission, cause the removal from its banking quarters of the offices of the cooperative bank now located therein. The Fall River Trust Company accomplished its membership on December 29, 1933, and on May 14, 1934, the Board granted an extension of six months to December 29, 1934, within which the bank may comply with the provisions of condition numbered 21.

"It is noted that the Fall River Trust Company has a written agreement with the cooperative bank which provides among other things that the offices of the cooperative bank shall be located in the banking quarters of the trust company and that such agreement shall remain in force until either party desiring to recede therefrom shall give to the other party a notice in writing of its intention to do so at least two years prior to the time the withdrawal shall take effect, unless otherwise agreed to by both parties in writing, but the trust company has not as yet given formal notice of its intention to recede from the agreement regarding the location of the offices of the cooperative bank in the banking quarters of the trust company.

"In view of the circumstances, the Board grants an extension of time of two years from the date that the required notice is given within which to comply with condition of membership numbered 21, provided the required notice is given without further delay. Please advise the Fall River Trust Company accordingly, and also advise the Board the effective date of the notice."

Approved.

Letter dated July 20, 1934, approved by three members of the

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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 February 6, 1934, regarding the holding by The Hillsboro Bank and Savings Company, Hillsboro, Ohio, of five shares of its own stock as collateral to a loan.

"From the information submitted in the accompanying letter from the president of the bank, it appears that the stock was taken as additional collateral to a loan previously made in good faith. In such circumstances, the holding of the stock as collateral is not a violation of the Federal Reserve Act. A bank's own stock, however, is undesirable collateral to the bank's loans, and should be disposed of at the first favorable opportunity. You are accordingly requested to take the matter up with the member bank on this basis and request it to take all feasible steps to eliminate as soon as possible any necessity for the holding of its own stock as collateral."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to the application of 'The Southern Illinois National Bank of East St. Louis', East St. Louis, Illinois, for permission to exercise fiduciary powers. It appears from the last report of examination of The Southern Illinois National Bank of East St. Louis that it has preferred and common capital stock aggregating \$650,000, no surplus, and undivided profits amounting to \$71,284. It is understood that under the laws of the State of Illinois a bank with trust powers may not be organized in a place the size of East St. Louis unless it has a capital of at least \$200,000 and a surplus equal to 10% of its capital.

"As you know, under the provisions of section 11(k) of the Federal Reserve Act the Board is not authorized to issue a permit to exercise trust powers to a national bank having a capital and surplus less than the capital and surplus required by State law of State institutions exercising trust powers. It has been the Board's practice in passing upon applications for trust powers by national banks to require compliance with the capital and surplus requirements in effect at the time with reference to the organization of State institutions with trust powers. It has previously also been the practice of the Board to require

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"a national bank applying for trust powers to have the amount of capital and the amount of surplus required for the organization of State institutions with trust powers rather than merely to have an aggregate amount of capital and surplus equal to the aggregate amount of capital and surplus required of such State institutions. However, in a recent case arising under the laws of another State the Board has taken the position that it may properly grant fiduciary powers to a national bank which has at least the amount of capital stock required for the organization of State institutions with fiduciary powers, together with an aggregate amount of capital stock and surplus equal to the aggregate amount of capital stock and surplus required of such State institutions; provided, that in the particular case the national bank shall have an adequate surplus and that all of the circumstances involved shall warrant the granting of the fiduciary powers applied for. In the case under consideration the State authorities advised the Board that they felt that in the circumstances described the requirements of the State law as to capital and surplus had been substantially complied with and that they did not object to the granting of trust powers to national banks in that State on that basis.

"In the case of The Southern Illinois National Bank of East St. Louis it has been observed that the amount of its capital is greater than the aggregate minimum amount of capital and surplus required for the organization of a State institution with trust powers in a place the size of East St. Louis, and that the national bank, while it has no surplus fund, has a substantial amount of undivided profits. In these circumstances, before the Board acts on the application of The Southern Illinois National Bank of East St. Louis, it will be appreciated if you will obtain information from the State banking authorities as to whether they feel that in view of the amount of capital of this national bank the requirements of the State law as to capital and surplus applicable to the organization of a State institution with trust powers will have been substantially complied with and as to whether they have any objection to the granting of trust powers to The Southern Illinois National Bank of East St. Louis on this basis."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Reference is made to the Board's letters of September 29, 1931 and August 9, 1932, in connection with the application of The United States National Bank of Eugene, Eugene, Oregon, for permission to exercise fiduciary powers, from which it will be noted that only limited authority was granted, and that action

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"on the application for full fiduciary powers was deferred pending receipt of a report of examination of the bank.

"In this connection, there is transmitted herewith a letter from the Assistant Federal Reserve Agent at San Francisco, asking that consideration be again given the bank's application for full fiduciary powers. The Board will, therefore, reconsider the bank's application and, in view of the information contained in the letter above referred to and the recent report of examination of the applicant bank, would be pleased to receive your recommendation in the premises.

"Kindly return the attached papers with your reply."

Approved.

Telegram dated July 20, 1934, approved by two 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 "C. E. Conrad Estate, Inc.", Kalispell, Montana, 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 Conrad National Bank of Kalispell", Kalispell, Montana, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit hereby authorized, applicant shall agree as follows:

"First. That it will cause the rehabilitation of the capital structure of The Conrad National Bank of Kalispell under a plan approved by the Comptroller of the Currency and satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, within such time as shall be fixed by the said Federal Reserve Agent, and in any event prior to September 30, 1934, which plan shall provide that said bank shall charge off or otherwise eliminate: (a) depreciation in all stocks and defaulted securities, (b) depreciation in all securities not included in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, and (c) all losses, except loans to C. E. Conrad Estate, Inc., its principal stockholders, and Kalispell Townsite Company, such charge offs or eliminations to

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"be based upon and, except as indicated in (c), to be to the extent of the classifications set forth by J. H. Gentry, a national bank examiner, in his report of examination of such bank as of March 10, 1934; which plan shall also provide that all assets of such bank which are charged off or otherwise eliminated shall remain the property of such bank, and also that the common stock of such bank shall be reduced from the par value of Two Hundred Fifty Thousand Dollars (\$250,000) to One Hundred Thousand Dollars (\$100,000) and that preferred stock in the par value of One Hundred Fifty Thousand Dollars (\$150,000) shall be issued and sold to the Reconstruction Finance Corporation for cash.

"Second. That so long as it is a holding company affiliate of The Conrad National Bank of Kalispell, it shall take such steps as are necessary to cause said bank to maintain a management which shall be satisfactory to the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis.

"Third. That it shall guarantee the obligations of its principal stockholders, and Montana and Idaho Investment Company, and Kalispell Townsite Company, to The Conrad National Bank of Kalispell, and shall cause such obligations and its own obligations to the said bank to be secured to the satisfaction of the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis either by pledging its own assets or by causing its principal stockholders, and Montana and Idaho Investment Company, and Kalispell Townsite Company to pledge their assets or by a combination of such methods."

and for the following purposes:

"At any time prior to September 30, 1934, to act upon a proposal to issue and sell to the Reconstruction Finance Corporation, or others, preferred stock of The Conrad National Bank of Kalispell having a par value of One Hundred Fifty Thousand Dollars (\$150,000), and to reduce the common stock of said bank from the par value of Two Hundred Fifty Thousand Dollars (\$250,000) to One Hundred Thousand Dollars (\$100,000), and to make such amendments to the articles of association and by-laws of said bank and to take such other action as shall be necessary to effect such purposes, provided that such proposal shall be in accordance with a plan which shall be approved by the Comptroller of the Currency and satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis; also to elect directors of said bank and to conduct such other matters of a routine nature as are ordinarily acted upon at the annual meetings of said bank."

The telegram stated also that it is understood that there is under consideration a plan whereby the "Conrad Block" will be sold to the national bank at its appraised value and that the sale price of such property will

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be applied to the reduction of the applicant's debt to the bank in order that a loan of \$10,000, for the purpose of paying the applicant's notes to the Old National Bank and Union Trust Company, Spokane, Washington, and the First National Bank, Seattle, Washington, may be made by the Conrad bank to the applicant without exceeding the legal loan limit. The telegram also authorized the agent to have prepared by counsel for the Federal Reserve Bank, and to issue to C. E. Conrad Estate, Inc., a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved, together with a letter, also dated July 20, 1934, and approved by two members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Conrad National Bank of Kalispell', Kalispell, Montana, 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 in eliminating a corresponding amount of unsatisfactory assets, all as set forth in Acting Comptroller Awalt's letter of June 7, 1934. It is understood from the information submitted that the matter of strengthening the management of this institution is receiving your consideration."

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to Mr. Fry's letter of July 5 with the enclosed application of The First National Bank of Clifton Forge, Clifton Forge, Virginia, for 60 additional shares of stock of the Federal Reserve Bank of Richmond. A notation on the application states that the subject bank does not wish to surrender Federal Reserve Bank stock on account of a temporary reduction in its surplus but wishes to apply for additional stock on the basis of its increased capital. The instant application shows the capital stock

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"of the bank as \$200,000 and its surplus as \$25,000, compared with \$100,000 and \$50,000, respectively, at the time of the last adjustment in its holdings of Federal Reserve bank stock, approved by the Board on May 10, 1916.

"While Regulation I provides that a member bank need not reduce its holdings of Federal Reserve bank stock incident to a reduction in its surplus, there is no provision for the issuance of Federal Reserve bank stock in an amount in excess of six percent of a bank's aggregate capital and surplus. On the basis of its application, therefore, The First National Bank of Clifton Forge is entitled and required to hold a total of 135 shares of stock of the Federal Reserve Bank of Richmond, or 45 shares more than it now holds, and accordingly a new application should be submitted for 45 additional shares of such stock."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. D. W. Bell, Commissioner of Accounts and Deposits, Treasury Department, reading as follows:

"Receipt is acknowledged of your letter of June 28, 1934, in which you state that it has long been the established policy of the Treasury to require member banks acting as general depositories of the Government to cash all Government checks and coupons from Government bonds at face value and that the balances carried to the credit of the Treasurer of the United States with such depositories have been fixed in direct proportion to the amount and character of the business transacted. You request to be advised whether the Treasury's policy of requiring general depositories to cash at face value Government checks and coupons presented by the holders thereof upon the basis of the compensating balances carried in the Treasurer's account in any way conflicts with the rulings of the Federal Reserve Board interpreting the prohibition contained in Section 19 of the Federal Reserve Act upon the payment of interest directly or indirectly upon deposits payable on demand.

"It is understood, as a result of consultation between the Board's Assistant Counsel and the Chief of the Division of Deposits of the Treasury Department, that the facts with respect to the matter are substantially as follows: The balance to be carried with any general depository to the credit of the Treasurer of the United States is determined, usually at intervals of six months, on the basis of the amount of Government checks and coupons from Government bonds cashed by such depository and the amount of deposits received for credit to the Treasurer's account with such depository. It is customary to fix the amount of the balance to be carried with such a general depository at approximately one-third of the aggregate amount of all

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"such checks and coupons cashed by the bank during the preceding six months period plus approximately one-fifth of the amount of deposits received by such depository for credit to the Treasurer's account during such preceding six months. No distinction is made in such determination, however, between the amount of Government checks which are cashed by the depository and the amount of coupons from Government bonds which are so cashed, but the aggregate of such amounts is taken as the basis. It is further understood that banks acting as general depositories do not pay or absorb any charges or expenses in connection with the cashing and collection of Government checks, except possibly in rare instances. The depository banks, however, customarily pay and absorb registered mail fees and insurance fees in transmitting to the Federal reserve banks coupons from Government bonds which they have cashed. The balances carried to the credit of the Treasurer of the United States with such depositories are payable on demand.

"The Federal Reserve Board has heretofore ruled that the absorption or payment of exchange or collection charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance does not constitute a payment of interest directly or indirectly and, accordingly, is not prohibited by the Federal Reserve Act. This ruling is published in the Federal Reserve Bulletin for June, 1934, at page 394.

"Inasmuch as practically no charges are paid or absorbed by member banks acting as general depositories in connection with the cashing of Government checks and since the amount of balances carried with such a depository is based upon the aggregate amount of coupons and checks which are cashed regardless of whether the amount of coupons cashed is a small or large portion of such aggregate, it is the view of the Federal Reserve Board, on the basis of the facts as above stated, that the charges which are absorbed by a member bank acting as a general depository do not vary with or bear a substantially direct relation to the amount of the balance carried with such depository to the credit of the Treasurer of the United States. Accordingly, without expressing any opinion as to whether there would be an indirect payment of interest if such a substantially direct relationship were involved, it is the Board's opinion for the reason indicated that there is no such indirect payment of interest with respect to the balances in question to the credit of the Treasurer of the United States and, accordingly, that the practice above set forth is not prohibited by the provisions of Section 19 of the Federal Reserve Act.

"It may be pointed out that if the facts as stated above regarding the Treasurer's balances with general depositories and charges absorbed by the depositories in connection with such balances should subsequently be changed in such a way as to involve a payment of interest, a violation of the provisions of law prohibiting the payment of interest by member banks on deposits payable on demand could be avoided by converting such balances into time deposits as defined in

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"the Board's Regulation Q. In this connection, it is understood that it is your present practice, generally speaking, to give banks acting as general depositaries 30 or 60 days' notice before withdrawing balances on deposit with them."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In connection with Mr. Martin's conversation with Mr. Awalt on July 17 there is inclosed a copy of a letter addressed to Mr. Szymczak by Mr. J. Lionberger Davis of the Security National Bank Savings and Trust Company, St. Louis, Missouri, in regard to the display of signs containing the words 'Member of Federal Reserve System' on buildings of banks which have been placed in liquidation. There is also inclosed a list of national banks which we are informed by the Federal Reserve Agent in St. Louis have not removed such signs, together with the names of the receivers thereof. The Federal Reserve Agent at St. Louis has also advised the Board that a request from your office to the receivers would result in immediate removal of the signs. The Board understands that during Mr. Martin's discussion of the matter with Mr. Awalt the latter indicated a willingness to have such instructions issued upon receipt of a request from the Federal Reserve Board. The Board assumes that you agree that it is undesirable to permit the retention of such signs in the case of national banks which have been placed in the hands of receivers for the purpose of final liquidation, and therefore it will be pleased if you will issue appropriate instructions to national bank receivers to remove these signs from all such banks, including those shown in the list inclosed with this letter."

Approved.

Telegram dated July 20, 1934, approved by three members of the Board, to Governor Calkins, Chairman of the Governors' Conference, reading as follows:

"Referring your July 12 telegram, Board believes that the Federal Reserve banks should be reimbursed for all expenses in connection with fiscal agency operations and, pending an agreement with Treasury covering such reimbursement, interposes no objection to adoption by Federal Reserve banks, effective July 1, 1934, of the policy recommended in minutes of committee meeting on accounting up to and including item 21 on page 4 of such minutes."

Approved.

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Letter dated July 20, 1934, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Federal Reserve Board has under consideration several applications for permits under Section 32 of the Banking Act of 1933 made by members of the firm of Brown Brothers, Harriman & Co., New York, New York, to serve at the same time as partners of the latter and as directors of various member banks.

"The Board understands that prior to June 16, 1934, Brown Brothers, Harriman & Co. had abandoned the business of purchasing, selling or negotiating securities and submitted itself to the supervision of the New York State Banking Department, its securities business having been assumed by Brown, Harriman & Company, Incorporated, a new corporation. The Board, however, has received no information concerning the relationships, if any, between the old partnership and the new securities corporation and, before the Board rules on the question whether Brown Brothers Harriman & Co. now comes within the provisions of Section 32, it will be appreciated if you will obtain full information as to any relationships between Brown Brothers, Harriman & Co. and Brown, Harriman & Company, Incorporated, and transmit the same to the Board with your comments."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Messrs. Hughes, Schurman & Dwight, New York, New York, reading as follows:

"The Federal Reserve Board has received your letter of June 20, 1934, in which you request a ruling on the question whether service at the same time as director of The Title and Mortgage Company of Westchester County and as officer or director of a banking institution which is a member of the Federal Reserve System constitutes a relationship within the scope of Section 32 of the Banking Act of 1933.

"You state that you are attorneys for George S. Van Schaick, Superintendent of Insurance of the State of New York in the matter of the Rehabilitation proceedings of Westchester Title & Trust Company and that the Superintendent of Insurance has recently prepared a plan for the servicing of all the mortgages guaranteed prior to their rehabilitation by the Lawyers Westchester Mortgage and Title

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"Company, the First Mortgage Guaranty and Title Company and the Westchester Title & Trust Company, which plan has been approved by an order of the Supreme Court of Westchester County, dated June 5, 1934. You further state that in order to carry out the plan, the Title and Mortgage Company of Westchester County and Westchester Realty Management, Inc., a wholly owned subsidiary thereof, have been designated agents of the Superintendent of Insurance to exercise all of the powers conferred upon him by Sections 3 and 4 of Chapter 745 of the Laws of 1933 of the State of New York with respect to all certificated mortgages guaranteed by Westchester Title & Trust Company and Lawyers Westchester Mortgage and Title Company. You state that the Superintendent also proposes to enter into a contract with The Title and Mortgage Company of Westchester County and Westchester Realty Management, Inc., hiring the latter two corporations to service all whole mortgages guaranteed by Westchester Title & Trust Company, Lawyers Westchester Mortgage and Title Company or First Mortgage Guaranty and Title Company and to manage such real estate owned, held by or subject to assignment of rents to the three companies as the Rehabilitator of each company shall designate. It is understood that at the present time The Title and Mortgage Company of Westchester County is doing nothing but servicing mortgages and managing real property and that it does not buy or sell mortgages nor does it issue policies of insurance or issue securities of any kind.

"On the basis of the facts submitted, it appears that The Title and Mortgage Company of Westchester County may not be regarded as 'engaged primarily in the business of purchasing, selling or negotiating securities' by reason either of its present activities or the activities in which it may engage in servicing mortgages and managing real estate as described above, pursuant to the proposed contract with the Superintendent of Insurance. In the circumstances, therefore, the provisions of Section 32 of the Banking Act of 1933 do not cover the service as a director of that institution and as a director or officer of a member bank."

Approved.

Letter to the following applicant for a permit under section 32 of the Banking Act of 1933, the letter stating that, on the basis of the information submitted, the dealer in securities appears to be "engaged primarily in the business of purchasing, selling, or negotiating securities" within the meaning of section 32; that the relationship covered by the application apparently is within the class which the Board believes that section was designed to terminate; and that, in the circum-

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stances, the Board is unable to find that it would not be incompatible with the public interest, as declared by Congress, to grant the application, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. P. Blair Lee, for permission to serve at the same time as a director of the First National Bank of Philadelphia, Philadelphia, Pennsylvania, and as a director and resident vice-president of the Philadelphia office of Brown, Harriman & Co., Incorporated, New York, New York.

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of July 11, 1934, in which you state that your records are not clear as to whether Mr. Henry Shriver of Cumberland, Maryland, has been issued a permit under the Clayton Act to serve as director of the First National Bank of Mt. Savage, Mt. Savage, Maryland, and as director and officer of the First National Bank of Cumberland, Cumberland, Maryland, and request advice concerning this matter.

"On May 21, 1921, Mr. Shriver made application to the Board to serve as a director and officer of the First National Bank of Cumberland, Cumberland, Maryland, as director of the Liberty Trust Company, Cumberland, Maryland, and as director of the First National Bank of Mt. Savage, Mt. Savage, Maryland. After some correspondence between the applicant and the Board, Mr. Shriver was advised on December 20, 1921, in part as follows:

"The Board has decided, therefore, that it will grant your application as to the First National Bank of Cumberland and the Liberty Trust Company only for the remainder of your present term as director of those banks and only on condition that those banks will eliminate all common directors at their next annual election in January, 1922.

"If you will advise the Board which of the two Cumberland institutions you elect to continue to serve and will state that you will not accept reelection to the board of

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"directors of the other at its next election in January, 1922, the Board will issue to you a formal certificate of its consent to serve those banks for the remainder of your present term.

"The Board will also grant you permission to serve the First National Bank of Mt. Savage, Maryland.'

"In reply to the above letter, Mr. Shriver advised that he expected to be reelected as president and member of the Board of Directors of the First National Bank of Cumberland, but would not stand for reelection to the Board of Directors of the Liberty Trust Company but that he expected to be a member of the Executive Committee of the Trust Company. In reply, the Board advised Mr. Shriver on January 3, 1922, that

"Inasmuch as that part of Section 8 of the Clayton Anti-trust Act which prohibits interlocking relations between national banks and State trust companies having resources of over \$5,000,000 but which are located in cities of less than 200,000 inhabitants applies only to persons who serve as directors of institutions of both classes and does not apply to persons who serve as directors of national banks and as officers or employees but not as directors of such State institutions, or vice versa, the arrangement which you contemplate will constitute a technical compliance with the law, and the Federal Reserve Board will have no further jurisdiction in the matter so long as no person serves as director of both institutions.

"The Board feels, however, that a continued joint control of both institutions through the membership of officers and directors of the national bank on the executive committee of the trust company, such as your plan apparently contemplates, is not in harmony with the spirit or purpose of the Clayton Act; and for this reason the Board does not approve of the plan, although it has no power to prevent its consummation.'

"The Board's files contain no further correspondence with respect to this matter nor does it appear that a permit to serve any of the institutions was ever issued to Mr. Shriver. Assuming that the applicant also continued his service as director of The First National Bank of Mt. Savage, no permit was required under the provisions of Section 8 of the Clayton Act covering his relationship with the three institutions, and, in this connection, your attention is called to the provisions of Section IV (a) (7) of Regulation L which state that the provisions of Section 8 of the Clayton Act 'do not prohibit a person from serving at the same time as director, officer, or employee of any number of national banks, provided no two of them are located in the same city of over 200,000 inhabitants and no one of them has resources aggregating over \$5,000,000'.

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"At that time neither city had a population exceeding 200,000 nor did the resources of either of the national banks exceed \$5,000,000.

"If, however, Mr. Shriver is still serving the two national banks either as officer, director or employee, and either bank makes loans secured by stock or bond collateral, such service, as you know, comes within the provisions of Section 8A of the Clayton Act."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. W. I. Myers, Governor of the Farm Credit Administration, reading as follows:

"The Federal Reserve Board has under consideration the Clayton Act application of Mr. H. Lane Young to serve as director and officer of certain banks in the State of Georgia. In connection with his application, it is noted that Mr. Young is also serving as director of the Central Bank for Cooperatives, Washington, D. C., which the Board is informed, was organized under the Farm Credit Act of 1933. Under the provisions of Section 8A of the Clayton Act, no director, officer or employee of any bank, banking association or trust company organized or operating under the laws of the United States shall be at the same time a director, officer or employee of a corporation (other than a mutual savings bank) or a member of a partnership organized for any purpose whatsoever which shall make loans secured by stock or bond collateral, except to its own subsidiaries. Under the provisions of Section 8 of such Act, the Federal Reserve Board is authorized, under certain circumstances, to issue permits covering services of the kind referred to in Section 8 and 8A. However, the provision of Section 8 which authorizes the Board to issue permits refers only to banking institutions of certain classes, and the Board is, accordingly, without authority to issue permits involving relationships between national banks or other banks organized and operating under the laws of the United States and non-banking institutions which come within the provisions of Section 8A.

"It is, therefore, necessary for the Federal Reserve Board to determine whether (1) the Central Bank for Cooperatives is a bank within the meaning of Section 8 of the Clayton Act and (2) such institution makes loans secured by stock or bond collateral within the meaning of Section 8A. It will be appreciated, therefore, if you will furnish the Board with copies of the charter, by laws and other documents relating to the organization and powers of such institution, together with a detailed statement of the character of the business actually conducted by the institution. In this connection, the Board would appreciate being advised specifically whether the

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"Central Bank for Cooperatives accepts deposits, and if so the nature thereof; whether it acts as a government depository or financial agent of the United States; and the various types of collateral accepted as security for loans or discounts. If it is feasible for you to furnish the views of your counsel as to whether the Central Bank for Cooperatives is a bank within the generally accepted meaning of that term, such an opinion would also be appreciated."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"There is inclosed a Clayton Act permit covering the service of Mr. Roger ap C. Jones as director of The Peoples Bank & Trust Company, Selma, Alabama, and as director of The First National Bank of Linden, Linden, Alabama. It is noted that in reply to question numbered 12 on application form 94, the applicant states that he is also serving as president of the Mabry Securities Company, Selma, Alabama.

"While the Board does not have detailed information regarding the character of the business of the Mabry Securities Company, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in connection with his service as a director of the above named banks and as president of the Mabry Securities Company. You are, accordingly, requested to withhold delivery of the Clayton Act permit to Mr. Jones until you are satisfied that Section 32 does not apply to the relationship described above, in which event you are authorized to deliver the Clayton Act permit to the applicant, at the same time transmitting copies thereof to the banks involved.

"If you find that Mr. Jones' service with the Mabry Securities Company and the member banks involved comes within the provisions of Section 32 you are requested to advise him of the requirements of that section and notify him that he may file an application for a permit covering such service. Of course, if upon a consideration of the facts involved, with the advice of your counsel, you are unable to determine whether Mr. Jones' service comes within the provisions of Section 32, the Board, upon receipt of full information, will be glad to rule upon the matter. In any event, the delivery of the Clayton Act permit should not be made until it has been determined that Mr. Jones' service with the Mabry Securities Company and the member banks involved does not come within the provisions

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"of Section 32 or that his service with such institutions has been brought into conformity with the requirements of that section.

"Please advise the Board of your action in this matter."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"There are inclosed the original and copies of the Clayton Act permit issued by the Board to David Bickle, Sr., Ismay, Montana, covering his service as director and officer of The First National Bank of Ismay, Ismay, Montana and the Bank of Baker, Baker, Montana.

"In considering Mr. Bickle's application it was noted that while from the information available the Bank of Baker appeared to be in a satisfactory condition, the examination report of The First National Bank of Ismay reflected an unsatisfactory condition, and that your examiner reports that Mr. Bickle is largely responsible for the unfortunate condition of the bank. You state, however, that it would not be for the best interests of the bank to refuse a permit to Mr. Bickle at this time, but that you believe the Comptroller of the Currency should use the proper pressure to change the management of the institution.

"In accord with your recommendation and in view of the information submitted, the Board is of the opinion that it would be in the public interest to grant a permit to Mr. Bickle in order to avoid any unnecessary misunderstanding in the Ismay and Baker communities which might prove detrimental to the institutions involved. It is suggested, however, that you endeavor, in cooperation with the chief national bank examiner of your district, to bring about a strengthening of the management of the Ismay bank and a correction of the conditions criticized by the examiner. When you submit your recommendation as the result of your annual review of this permit please report fully as to the progress made in the improvement of the management and condition of this bank."

Approved.

Letter dated July 20, 1934, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of June 26, 1934 and previous correspondence relative to the Clayton Act application of Mr. John S.

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"Dutton for permission to serve at the same time as an officer of the Bank of America National Trust and Savings Association, San Francisco, California, officer of the Bank of America, San Francisco, California, and as director of the First National Bank of Butte, Butte, Montana. You state in your letter of June 26, that you have been advised that Mr. Dutton has tendered his resignation as member of the Board of Directors of the First National Bank of Butte, and for that reason, you have been requested to consider Mr. Dutton's application as withdrawn.

"In this connection, you are advised that, until Mr. Dutton's resignation from the Board of Directors of the First National Bank of Butte has been accepted or until he has otherwise severed his connection with such bank, his service on the three banks is in contravention of the provisions of the Clayton Act. Since it appears to be Mr. Dutton's intention to sever his connection with the First National Bank of Butte, upon receipt of advice that his resignation has been accepted, you are advised that in view of the blanket permit issued by the Board on November 30, 1932 covering the service of all officers and employees of the Bank of America National Trust and Savings Association and the Bank of America, no further action by the Board will be necessary with respect to Mr. Dutton as officer of the two institutions in San Francisco."

Approved.

Letter dated July 20, 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. Samuel B. Sutphin, for permission to serve at the same time as a director of The Indiana National Bank of Indianapolis, Indianapolis, Indiana, and as a director of The Union Trust Company of Indianapolis, Indianapolis, Indiana.

Approved, together with a letter, also dated July 20, 1934, and approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"There is inclosed a copy of the Clayton Act permit issued by the Board to Mr. Samuel B. Sutphin of Indianapolis, Indiana, to serve as director of The Indiana National Bank of Indianapolis and as director of The Union Trust Company of Indianapolis, both of Indianapolis, Indiana.

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"In considering this application it was noted that Mr. Sutphin attended only nine of the twenty-seven meetings of the board of directors of The Union Trust Company of Indianapolis held during the past two years. A satisfactory attendance at directors' meetings is necessary for the proper discharge of a director's duties, and it is with the expectation that Mr. Sutphin will improve his attendance that the Board has granted him a permit.

"It was also noted that permits have been previously issued to the other eleven interlocking directors of these banks, which permits apparently cover the services now being rendered, with the exception of that issued to Mr. Arthur V. Brown, which does not cover his service as an officer of The Indiana National Bank of Indianapolis, in view of which it appears that Mr. Brown should file a new application. In this connection reference is made to the Board's letter of April 9, 1934, X-7856.

"Apparently Mr. Brown has attended only two of the ten directors' meetings of the Union Trust Company held prior to an examination made as of November 13, 1933; and according to the examination reports, Mr. Norman A. Perry did not attend any of the last twenty-five directors' meetings of The Indiana National Bank or of the last ten directors' meetings of The Union Trust Company held prior to the examination of these banks as of January 17, 1934, and November 13, 1933, respectively. It was further noted that the examination report of The Indiana National Bank of Indianapolis as of January 17, 1934, showed loans to Messrs. Arthur V. Brown, Fred G. Appel, Norman A. Perry and Samuel E. Rauh and/or their interests as subject to criticism. The Board feels that loans to directors, officers and their interests should be at all times free from criticism.

"When you submit your recommendation as a result of your annual review of these permits, you are requested to report fully as to the current status of the borrowings of Messrs. Appel, Brown, Perry and Rauh and/or their interests, and as to the attendance of Messrs. Brown, Perry and Sutphin at directors' meetings."

Letters dated July 20, 1934, approved by three members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Clifford F. Martin, for permission to serve at the same time as a director of the United States Trust Company, Boston, Massachusetts, and as a director of The Pittsfield-Third National Bank and Trust Company, Pittsfield, Massachusetts.

Mr. C. E. Bennett, for permission to serve at the same time as a director of The First National Bank of Wellsborough, Wellsboro, Pennsylvania, and as a director and officer of the Tioga County Savings & Trust Company, Wellsboro, Pennsylvania.

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- Mr. E. G. Carson, for permission to serve at the same time as a director of The First National Bank of Wellsborough, Wellsboro, Pennsylvania, and as a director of the Tioga County Savings & Trust Company, Wellsboro, Pennsylvania.
- Mr. H. K. Crandall, for permission to serve at the same time as a director and officer of The Athens National Bank, Athens, Pennsylvania, and as a director of The Merchants and Mechanics National Bank of Sayre, Sayre, Pennsylvania.
- Mr. David A. Keefe, for permission to serve at the same time as a director of The Athens National Bank, Athens, Pennsylvania, and as a director and officer of The Merchants and Mechanics National Bank of Sayre, Sayre, Pennsylvania.
- Mr. W. D. Craig, for permission to serve at the same time as a director of the Woodlawn Trust Company, Aliquippa, Pennsylvania, and as a director of The First National Bank of Aliquippa, Aliquippa, Pennsylvania.
- Mr. M. B. Moore, for permission to serve at the same time as a director of the Woodlawn Trust Company, Aliquippa, Pennsylvania, and as a director of The First National Bank of Aliquippa, Aliquippa, Pennsylvania.
- Mr. P. M. Moore, for permission to serve at the same time as a director and officer of the Woodlawn Trust Company, Aliquippa, Pennsylvania, and as a director of The First National Bank of Aliquippa, Aliquippa, Pennsylvania.
- Mr. J. A. C. Ruffner, Jr., for permission to serve at the same time as a director and officer of the Woodlawn Trust Company, Aliquippa, Pennsylvania, and as a director and officer of The First National Bank of Aliquippa, Aliquippa, Pennsylvania.
- Mr. Charles A. Cannon, for permission to serve at the same time as a director and officer of the Cabarrus Bank and Trust Company, Concord, North Carolina, as a director and officer of The Concord National Bank, Concord, North Carolina, and as a director of the Charlotte branch of the Federal Reserve Bank of Richmond, Charlotte, North Carolina.
- Mr. A. T. Drinnon, for permission to serve at the same time as a director of The Hamblen National Bank of Morristown, Morristown, Tennessee, and as a director and officer of the Citizens Bank, Sneedville, Tennessee.
- Mr. H. S. Walters, for permission to serve at the same time as a director of The Hamblen National Bank of Morristown, Morristown,

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Tennessee, and as a director and officer of the Citizens Bank, White Pine, Tennessee.

Mr. Thad B. Lampton, for permission to serve at the same time as a director and officer of the Capital National Bank in Jackson, Jackson, Mississippi, as a director and officer of the Bank of Wesson, Wesson, Mississippi, and as a director of the Magnolia Bank, Magnolia, Mississippi.

Mr. George C. Wallace, for permission to serve at the same time as an officer of the Capital National Bank in Jackson, Jackson, Mississippi, and as a director of the Bank of Wesson, Wesson, Mississippi.

Mr. J. S. Radney, for permission to serve at the same time as a director and officer of The First National Bank of Ashford, Ashford, Alabama, and as a director and officer of the Farmers and Merchants Bank, Ashford, Alabama.

Mr. J. S. Williams, for permission to serve at the same time as a director of The First National Bank of Ashford, Ashford, Alabama, and as a director of the Farmers and Merchants Bank, Ashford, Alabama.

Mr. B. F. Young, for permission to serve at the same time as a director and officer of the Bank of St. Joseph & Trust Company, St. Joseph, Louisiana, and as a director of the Britton and Koontz National Bank in Natchez, Natchez, Mississippi.

Mr. C. Glen Beadenkopf, for permission to serve at the same time as a director of The Central National Bank of Wilmington, Wilmington, Delaware, and as a director of the Thompson Savings Bank, Hudson, Michigan.

Mr. E. Bromley, for permission to serve at the same time as a director and officer of The First National Bank of Evart, Evart, Michigan, and as a director and officer of the Mecosta County State Bank, Mecosta, Michigan.

Mr. Arthur J. Butler, for permission to serve at the same time as a director of The First National Bank of Evart, Evart, Michigan, and as a director of the Citizens State Bank of Big Rapids, Big Rapids, Michigan.

Mr. Wallace F. Henry, for permission to serve at the same time as a director of The First National Bank of Evart, Evart, Michigan, as a director of the Mecosta County State Bank, Mecosta, Michigan, and as a director and officer of the Citizens State Bank of Big Rapids, Big Rapids, Michigan.

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Mr. F. A. Foley, for permission to serve at the same time as a director and officer of The First National Bank of Rolls, Rolls, North Dakota, and as a director of The First National Bank of Cando, Cando, North Dakota.

Mr. H. C. Hansen, for permission to serve at the same time as a director and officer of The First National Bank of Churchs Ferry, Churchs Ferry, North Dakota, and as a director of the Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota.

Mr. H. P. Johnson, for permission to serve at the same time as a director and officer of The First National Bank of Dickinson, Dickinson, North Dakota, and as a director of the Union Bank of Dunn Center, Dunn Center, North Dakota.

Mr. Herman Leutz, for permission to serve at the same time as a director and officer of The Security National Bank of Taylor, Taylor, North Dakota, and as a director and officer of the Union Bank of Dunn Center, Dunn Center, North Dakota.

Dr. A. P. Nachtwey, for permission to serve at the same time as a director and officer of The First National Bank of Dickinson, Dickinson, North Dakota, as a director and officer of The Liberty National Bank of Dickinson, Dickinson, North Dakota, and as a director of the Union Bank of Dunn Center, Dunn Center, North Dakota.

Mr. T. A. Tollefson, for permission to serve at the same time as a director and officer of The First National Bank of Dickinson, Dickinson, North Dakota, and as a director and officer of the Union Bank of Dunn Center, Dunn Center, North Dakota.

Mr. R. M. Watson, for permission to serve at the same time as a director and officer of the First National Bank in Mobridge, Mobridge, South Dakota, and as a director of The First National Bank of Groton, Groton, South Dakota.

Approved.

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

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
The Peoples National Bank of Cambridge, Cambridge, Illinois	36	36

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<u>Applications for ADDITIONAL Stock:</u>		<u>Shares</u>	
<u>District No. 7.</u>			
The First National Bank in Joliet, Joliet, Illinois		6	
The First National Bank of Iowa City, Iowa City, Iowa		6	
The National Brookville Bank, Brookville, Indiana		3	
Fort Wayne National Bank, Fort Wayne, Indiana		3	
Central National Bank & Trust Co. of Des Moines, Des Moines, Iowa		450	
Community National Bank of Pontiac, Pontiac, Michigan		<u>2</u>	470
<u>District No. 10.</u>			
The First National Bank of Hugoton, Hugoton, Kansas		7	
The Omaha National Bank, Omaha, Nebraska		15	
The Fourth National Bank of Tulsa, Tulsa, Oklahoma		<u>30</u>	52
<u>District No. 12.</u>			
The Temple National Bank, Temple City, California		<u>4</u>	<u>4</u>
	<u>Total</u>		<u>526</u>
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 3.</u>			
The Second National Bank of Allentown, Allentown, Pennsylvania		120	
First National Bank & Trust Co. of Easton, Easton, Pennsylvania		120	
The Burnside National Bank, Burnside, Pennsylvania		<u>36</u>	276
<u>District No. 9.</u>			
The National Bank of Grey Eagle, Grey Eagle, Minnesota		18	18
<u>District No. 11.</u>			
The Citizens National Bank of Brownwood, Brownwood, Texas.		120	
The Haskell National Bank, Haskell, Texas		<u>60</u>	<u>180</u>
	<u>Total</u>		<u>474</u>

Approved.

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Thereupon the meeting adjourned.

C. Ester Morill
Secretary.

Approved:

J. J. Thomas
Chairman, Executive Committee.