

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, July 26, 1934, at 2:30 p. m.

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

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

The Committee considered and acted upon the following matters:

Letter dated July 25, 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 your letter of July 7, 1934, transmitting the request of the 'Union Trust Company of Maryland', Baltimore, Maryland, for an extension of time to April 30, 1935, within which it may dispose of the various stocks acquired by it in satisfaction or protection of debts previously contracted in good faith and which the bank feels that it would not be justified in disposing of within six months from the date of acquisition as required under the provisions of condition of membership numbered 7. It is noted that the institution believes that it would be to its interest to hold the stocks a reasonable period in excess of the six months permitted by the condition of membership numbered 7 in anticipation of an improved market.

"In view of all the circumstances and your recommendation, the Board extends the time to April 30, 1935, within which the Union Trust Company of Maryland may dispose of any stocks which it now holds and which were acquired in satisfaction or protection of debts previously contracted in good faith and it is requested that you advise the bank accordingly.

"The report of examination as of April 30, 1934 shows that more than 35% of the bank's investment securities, other than direct obligations of the U. S. Government, consisted of miscellaneous stocks, a large portion of which had been acquired prior to the institution's reopening on December 18, 1933. As indicated in its letter of November 20, 1933, advising of the approval of the bank's application for membership, the Board feels that stocks are not suitable for the investment of funds of commercial banking institutions and, even though acquired in satisfaction or protection of debts previously contracted,

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"the bank should not continue to hold the stocks indefinitely but should make disposition thereof as soon as it is feasible to do so. It is requested that you again advise the bank of the Board's views in the matter.

"The report of examination indicates also that the bank is paying interest at the annual rate of $3\frac{1}{2}\%$ on certificates of deposit for \$275,000 due in 1930 issued to the Commissioner of Finance, Baltimore. It will be appreciated if you will advise the Board whether the terms under which such deposits were accepted are in violation of law or of the Board's Regulation Q.

"It will be appreciated also if you will advise the Board whether the assets classified as estimated losses in the examination report above referred to have since been charged off or otherwise eliminated as suggested in your letter of June 22, 1934, to the bank."

Approved.

Telegram dated July 25, 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:

"Retel July 23, 1934 regarding membership condition numbered 16 First Trust and Savings Bank of Pasadena, California, Board will interpose no objection to extension or renewal of obligations of officers, directors and employees secured by mortgages or deeds of trust and carried in trust department at time of admission to membership provided such action is not in violation of laws of the State of California. Board feels however that investments of this type should not be carried indefinitely but should be eliminated from trust assets as soon as feasible and it is requested that you advise the bank accordingly."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of Mr. Young's letter of July 9, 1934, in regard to the pending application of the Davenport Bank & Trust Company, Davenport, Iowa, made for and on behalf of the Davenport National Bank, a proposed new organization into which the former institution

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"was expected to be converted, for permission to exercise full fiduciary powers.

"In view of Mr. Young's statement that it is not anticipated that the conversion will be completed within the next year, and that no action upon the bank's application for trust powers is necessary at this time, the Board will close its files in this case. Should the subject bank desire at a later date to convert into a national bank, it should submit a new application for fiduciary powers to the Board through your office."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of June 2, 1934, in regard to the application of 'The First National Bank at Ponca City', Ponca City, Oklahoma, for permission to exercise fiduciary powers.

"The Board has given consideration to the pending application and in view of the short time the bank has been in operation is unwilling to grant it fiduciary powers at this time. The Board, therefore, will defer action upon the pending application for fiduciary powers until the bank has been in operation for at least one year and a report of examination made by a national bank examiner subsequent to such period is available, at which time it will be glad to have the benefit of any further recommendation you may wish to make in the premises, together with full information as to the character of the management and the extent and nature of the influence exercised by each of the executive officers.

"Please advise the applicant bank of the Board's action.

"In connection with this application, your attention is called to the remarks of the examiner in the confidential section of the report of examination of May 20, 1933, of the Cherokee National Bank, Cherokee, Oklahoma, with regard to F. M. Overstreet, the present cashier of The First National Bank at Ponca City. It is felt that the comments made therein upon certain of Mr. Overstreet's activities warrant a close investigation and before you make further report on the application of The First National Bank at Ponca City for trust powers it might be advisable to confer with the Chief National Bank Examiner for your district for the purpose of developing any information he may have regarding Mr. Overstreet. It is suggested also that the examiner who makes

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"the examination of The First National Bank at Ponca City, which will form the basis for your report on its application for trust powers, be requested to develop full information as to the character of the management and nature of the influence exercised by each of the executive officers, and particularly with regard to Mr. Overstreet. It might also be advisable to request the Chief National Bank Examiner to have the examiner who next visits Cherokee, Oklahoma, develop such further information as may be possible in the circumstances as to whether any new criticisms have since been directed against Mr. Overstreet."

Approved.

Telegram dated July 25, 1934, approved by three members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your telegram of July 23, 1934, recommending Board's approval of a proposed reduction in common capital stock of 'The State Bank of Ewen', Ewen, Michigan, from \$25,000 to \$10,000, pursuant to a plan which provides for the sale of \$25,000 preferred stock to the Reconstruction Finance Corporation and local contribution of \$25,000.

"Since entire amount of released capital and local contribution is to be applied toward elimination of losses and depreciation, and after proposed reduction and increase bank's capital will be greater than the amount of its capital prior to such reduction, Board offers no objection to reduction in capital in amount indicated, with the understanding, of course, that transaction has the approval of the Michigan Banking Department, and that your counsel is satisfied as to legal aspects of case. In this connection, your attention is called to Board's wire of June 25, 1934, X-7933.

"It is noted that on the basis of the report of examination of February 13, 1934, and after application of the released capital and local contribution, there will remain a capital impairment of approximately \$10,000 if the total of estimated losses, doubtful assets, and all securities depreciation is considered. When the proposed capital adjustment and charge-offs have been completed the Board should be advised thereof, showing in detail the eliminations made. Please also advise whether changes in the securities market and/or collections or corrections effected may have eliminated or reduced capital impairment referred to."

Approved.

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Telegram dated July 25, 1934, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has given consideration to the application of the "Bloomfield Bank and Trust Company", Bloomfield, New Jersey, 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 Watsessing Bank", Bloomfield, New Jersey, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to Sept. 1, 1934, to act upon a proposal to absorb the Watsessing Bank by the purchase of selected assets and assumption of designated liabilities, to effect the liquidation of such bank and to establish a branch at the present location of such bank, all in accordance with a plan which shall have been approved by the appropriate State supervisory authorities and which shall incorporate the following features:

"(1) The plan shall be deemed by the Federal Reserve Agent at the Federal Reserve Bank of New York (hereinafter called the 'Federal Reserve Agent') to be substantially in conformity with that outlined in letters from Mr. Allison Dodd, President of the Bloomfield Bank and Trust Company, dated April 16, 1934, and April 30, 1934, to the Federal Reserve Agent and to Mr. W. H. Dillistin, Assistant Federal Reserve Agent, respectively.

"(2) No part of the present surplus or undivided profits, or of the amount resulting from the reduction in the capital stock of the Bloomfield Bank and Trust Company from one million five hundred thousand (\$1,500,000) to seven hundred fifty thousand (\$750,000) shall be returned to its stockholders and all charged off assets shall remain the property of the Bloomfield Bank and Trust Company.

"(3) Prior to or concurrently with the proposed absorption Bloomfield Bank and Trust Company shall cause to be charged off or otherwise eliminated from its assets and the assets of The Watsessing Bank the

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"following: (a) All estimated losses in loans and discounts as shown by reports of the most recent examinations of both institutions; (b) All depreciation in stocks, defaulted bonds and securities not of the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities; (c) All other estimated losses and unacceptable assets as may be determined from reports of the latest examinations of both institutions; (d) All other known losses; such charge-offs or eliminations to be of such nature and in such amounts as shall be satisfactory to the Federal Reserve Agent.

"(4) Prior to or concurrently with the proposed absorption Bloomfield Bank and Trust Company shall supplement its capital structure by the issue of common and/or preferred stock in an aggregate amount of not less than seven hundred fifty thousand dollars (\$750,000).

"(5) Prior to or concurrently with the proposed absorption The Watsessing Bank shall eliminate or otherwise adequately secure to the satisfaction of the Federal Reserve Agent all loans secured in whole or in part by shares of stock of the Bloomfield Bank and Trust Company.

"(6) The Bloomfield Bank and Trust Company shall not acquire from The Watsessing Bank any corporate stocks other than those which may be lawfully acquired by a national bank."

The telegram authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Bloomfield Bank and Trust Company, a limited voting permit in accordance with the telegram, and stated that, as indicated by the authorization for the issuance of the voting permit, the Board will interpose no objection to the proposed transaction if carried out on the basis indicated.

Approved.

Telegram dated July 25, 1934, approved by three members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has given consideration to the

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application of the "Nashville Trust Company", Nashville, Tennessee, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Kingsport", Kingsport, Tennessee, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Simultaneously with the issuance of the limited voting permit authorized herein, there shall be issued to 'United Realty Company', Nashville, Tennessee, the limited voting permit authorized in the Board's ANCI GAR telegram of this date to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

"(2) Prior to the issuance of the limited voting permit authorized herein such Federal Reserve Agent shall be satisfied that the applicant has performed its agreement dated January 8, 1934, made pursuant to the Board's ANCI GAR telegram dated January 6, 1934."

and for the following purposes:

"At any time prior to October 1, 1934, to act upon a proposal to issue and sell to the Reconstruction Finance Corporation preferred stock of such bank having a par value of one hundred fifty thousand dollars (\$150,000), and to make such amendments to the bank's articles of association and to take such other action as shall be necessary to effect such purposes; all in accordance with a plan of rehabilitation which provides for the elimination of all items classified as doubtful or loss in the report of examination of such bank as made by a national bank examiner as at the close of business March 12, 1934, provided that the charged-off assets shall remain the property of the subsidiary bank and shall not be distributed to the shareholders; provided further that such plan shall have been approved by the Comptroller of the Currency and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

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

Approved.

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In connection with the above, there was presented a second telegram dated July 25, 1934, approved by three members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has given consideration to the application of the "United Realty Company", Nashville, Tennessee, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Kingsport", Kingsport, Tennessee, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Simultaneously with the issuance of the limited voting permit authorized herein, there shall be issued to 'Nashville Trust Company', Nashville, Tennessee, the limited voting permit authorized in the Board's ANCIGAR telegram of this date to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

"(2) Prior to the issuance of the limited voting permit authorized herein such Federal Reserve Agent shall be satisfied that the applicant has performed its agreement dated January 8, 1934, made pursuant to the Board's ANCIGAR telegram dated January 6, 1934."

and for the following purposes:

"At any time prior to October 1, 1934, to act upon a proposal to issue and sell to the Reconstruction Finance Corporation preferred stock of such bank having a par value of one hundred fifty thousand dollars (\$150,000), and to make such amendments to the bank's articles of association and to take such other action as shall be necessary to effect such purposes; all in accordance with a plan of rehabilitation which provides for the elimination of all items classified as doubtful or loss in the report of examination of such bank as made by a national bank examiner as at the close of business March 12, 1934, provided that the charged-off assets shall remain the property of the subsidiary bank and shall not be distributed to the shareholders; provided further that such plan shall have been approved by the Comptroller of the Currency and shall be satisfactory to the Federal

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"Reserve Agent at the Federal Reserve Bank of Atlanta."

The telegram authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the United Realty Company, a limited voting permit in accordance with the telegram, and stated that, as stated in the Board's ANCIGAR telegram dated January 6, 1934, before the Board considers the application of the United Realty Company with respect to a general voting permit, it should receive a complete application by the United Realty Company, in duplicate, in which instruments already furnished may be incorporated by reference.

Approved.

Memorandum dated July 23, 1934, from Mr. Vest, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin statements, in the form attached to the memorandum, relating to the recent rulings of the Board regarding the publication of reports of affiliates of State member banks and the question whether deposits with respect to which the pass book is retained by the bank may be classified as "savings deposits", together with the Board's statement for the press of June 30, 1934, regarding examinations and reports under section 21 of the Banking Act of 1933. The recommendation was approved by three members of the Board on July 25, 1934.

Approved.

Memorandum dated July 24, 1934, from Mr. Parry, Assistant Director of the Division of Research and Statistics, requesting authority to obtain from the New York Stock Exchange, in the manner suggested in the memorandum, information regarding the margin status

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of customers' accounts being carried by brokers and the composition of the collateral held by brokers to secure such accounts, and similar information from such members of the principal exchanges in Chicago and San Francisco as do not belong to the New York Stock Exchange.

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to the governors of all Federal reserve banks, reading as follows:

"In order that the Board may have in its files data with regard to commitments made by your bank under Section 13b of the Federal Reserve Act, it is requested that a statement be submitted in the case of each such commitment showing the following information:

1. Name of prospective borrower.
2. Name of financing institution if commitment is to a financing institution.
3. If commitment is to a financing institution, the proportion of loss on the prospective transaction to be assumed by the financing institution.
4. Amount of commitment.
5. Period covered by commitment.
6. Maturity of proposed transactions.
7. Commitment fee or charge (Rate and amount).
8. General description of proposed security, including names of any prospective indorsers.

"It is requested that the statements referred to above be numbered serially, and that at the end of each month a list of outstanding industrial advances and commitments under Section 13b be furnished showing the following:

- Name of borrower or prospective borrower.
- Name of financing institution if transaction is with a financing institution.
- Amounts of outstanding advances.
- Amounts of outstanding commitments."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to the governors of all Federal reserve banks, reading as follows:

"In order that the Board may have sufficient data with regard to the loans, discounts, advances and purchases made by your bank under Section 13b of the Federal Reserve Act

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"from funds paid to your bank by the Secretary of the Treasury under subsection (e) of that section and out of the bank's own funds, it is requested that in the daily schedules furnished the Board such transactions be reported separately and that the following information be shown with respect to each such transaction:

1. Name of borrower.
2. Name of financing institution if transaction is with a financing institution.
3. If transaction is with a financing institution, the proportion of loss thereon assumed by the financing institution.
4. Amount of transaction.
5. Net proceeds, if taken on a discount basis.
6. Maturity.
7. Rate, and whether discount or interest.
8. General description of security.
9. Indorsers on obligations acquired.

"Please show under remarks column or otherwise any additional data necessary to give the Board adequate information regarding each transaction."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In order that the Board and the Treasury may have available statistical data on the amount of new loans made by member banks during the present year and on the amount of loans paid or written off, it will be appreciated if you will obtain from every licensed member bank in operation on June 30, 1934, a report in accordance with the attached form, which it is suggested be printed locally. Please advise member banks to prepare the report in duplicate and to send the original to you, retaining the duplicate in their files.

"It is further requested that the reports be tabulated at your bank so as to obtain totals, corresponding to the figures reported by each bank, for the following groups of (a) National banks and (b) State bank members:

1. Central Reserve city banks.
2. Reserve city banks in each reserve city.
3. Country banks in each state or part of state.

"Only the summaries need be forwarded to the Board for the present, the reports of the individual member banks to be retained at your bank until such time as they may be called for by the Board.

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"If there should be any delay in the receipt of the reports of some of the smaller member banks, please furnish the Board with preliminary summaries, to be followed with final summaries when all of the reports have been received and tabulated."

Approved.

Telegram dated July 25, 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:

"Referring Downs wire July 21 advising that pursuant to resolution of Board of Directors of Irving Trust Company no new shares have been issued by Irving Investors Fund C, Inc. since June 15, 1934, and that no new shares of Fund C, Inc. will hereafter be issued while such corporation remains an affiliate of Irving Trust Company, and requesting advice whether, in these circumstances, the Irving Trust Company has complied with the requirements of section 20 of the Banking Act of 1933. On basis of facts submitted and assuming, of course, that Irving Investors Fund C, Inc. will not engage in the issue, flotation, underwriting, public sale, or distribution of any other kinds of securities, Board is of opinion that requirements of section 20 of Banking Act of 1933 applicable to that corporation are complied with."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of July 9, 1934, regarding the proposed conference of Assistant Federal Reserve Agents, in charge of examinations, and Trust Examiners, to be held in September. As Chairman of the Conference of Chairmen and Federal Reserve Agents, the Board would be glad to have you call such a conference and undertake the preparation of the program. It is suggested that the conference be called to meet in Washington, September 10, 1934.

"It is requested that the program include a discussion of costs of examinations and of the extent of the participation and nature of the procedure to be followed in joint examinations with the State authorities. The Board has considered the report of the Federal Reserve Agents' Committee

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"on Uniform Examination Charges adopted at the conference in June, 1934, and decided to defer action upon the report until further study has been made of the costs of examinations, and a recommendation made as to the manner in which such costs can be kept at a minimum, with due regard to the thoroughness of the examinations. In this connection three suggestions have been offered for consideration:

- "1. To work out plans, if possible, whereby State banking authorities will accept in lieu of their own examinations, reports of examinations of State member banks made by Federal reserve banks.
- "2. To work out plans, if possible, in cooperation with various State authorities, whereby two regular examinations of State member banks will be made each year, conducted alternately by the State authorities and the Reserve Bank.
- "3. To work out plans, if possible, in cooperation with various State authorities, whereby joint examinations might be made in such a way that thorough examinations would be insured and both the Reserve Banks and the State authorities satisfied as to the thoroughness of the examination and yet the duplication of work would be minimized and the cost of the examinations lessened.

"It is suggested, therefore, that the various Federal Reserve Agents be requested to submit reports regarding the practicability of the first two suggestions and that the Assistant Federal Reserve Agents be prepared to discuss fully the extent of participation and nature of procedure to be followed in joint examinations. There is a wide variance in the present practice as regards joint examinations. The examiners for some Reserve Banks make practically complete and independent examinations in connection with an examination made simultaneously by the State authorities. Examiners for other Federal Reserve Banks make a complete review and appraisal of the loans, investments, and miscellaneous assets, completing their reports on the basis of information furnished by the State examiners. In a few cases the examiners for the Reserve Bank have only a small representation in the joint examinations and are forced to rely to a great extent upon work done by the State examiners.

"It is suggested that the program provide for discussions as to the examinations, if any, made of trust departments of national banks and suggestions as to the policy to be adopted in respect to the examination of such departments in the future. It is suggested, also, that the program include a discussion of the changes and amendments, if any, which should be made in the Board's Regulation F regarding 'Trust Powers of National

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"Banks".

"It is assumed that, from the questions submitted by the examination departments of the various Federal Reserve Banks, a constructive program can be prepared based upon practical problems which have arisen in the course of examinations. In such case, questions as to the proper bases for classification of assets of various types would naturally arise."

Approved.

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

"Your wire July 25. Comptroller of Currency advises as follows: Pending further consideration by office of Comptroller and counsel of questions on this subject it is view of office of Comptroller that limitations of section 24 of Federal Reserve Act apply to loans and advances by national banks of the kind described under section 13b of Federal Reserve Act. Accordingly national bank may not participate with another institution in making a loan secured by real estate, each taking part of such loan. However, there is nothing in section 24 to prevent a national bank from making the entire amount of a loan to an industrial or commercial business secured in whole or in part by a first mortgage on real estate of kind specified in section 24 even though the note evidencing such loan is discounted with or sold to the Federal reserve bank pursuant to section 13b. Limitations of section 5200 of Revised Statutes apply to loans and advances by national banks of kind described in section 13b but except in cases where participation in obligations secured by real estate mortgages is involved it may be possible to avoid exceeding limit of section 5200 by having national bank advance at least 20% of working capital for established industrial or commercial business without obligating itself to Federal reserve bank against loss on amount advanced by reserve bank, as contemplated by first proviso of paragraph b of section 13b. In such case it would, of course, be necessary to include only amount advanced by national bank in determining whether limit exceeded. As above indicated certain questions with regard to this matter will have further consideration by Comptroller's office and it may be that upon completion thereof Comptroller's position in this matter will be amplified. It is not expected, however, that this will be within the next few days."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank

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of St. Louis, reading as follows:

"Receipt is acknowledged of a carbon copy of Mr. Stewart's letter of July 10, addressed to Mr. C. L. A. Johnson, Auditor, Kentucky Title Trust Company, Louisville, Kentucky, granting the Kentucky Title Trust Company an extension of time within which to submit the reports of its affiliates. It is noted that the extension is made to expire August 10. This however does not appear to be in accord with standing instructions, which as stated in the Board's letter of October 26, 1933, (B-923) are that the Federal Reserve agent may grant extensions 'not to exceed 20 days, in addition to the original period of 10 days from the receipt by the member bank of the call for reports'. Assuming that the Board's call was received by the member bank July 5, the longest extension that could be granted under the authority of the Board's instructions would be until August 4.

"In view of the fact, however, that the member bank appears to require the time indicated the extension to August 10 is confirmed."

Approved.

Letter dated July 25, 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:

"Reference is made to the applications for permits of Mr. G. M.-P. Murphy under Section 32 of the Banking Act of 1933 to serve as a partner of G. M.-P. Murphy & Company, as director of the Guaranty Trust Company of New York, as trustee of the New York Trust Company, as director of the National Aviation Corporation, all of New York, New York, and as director of the United States & Foreign Securities Corporation, Newark, New Jersey. In his letter of June 20, 1934, to the Board, Mr. Murphy stated that he intended to submit within a week further information showing that neither G. M.-P. Murphy & Company, the National Aviation Corporation nor the United States and Foreign Securities Corporation are 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of Section 32.

"As you know, in its letter of May 29, 1934, to Mr. Murphy, a copy of which was sent to you, the Board notified Mr. Murphy that it was unable to find that it would not be incompatible with the public interest to grant his application to serve the above named banks and the firm of G. M.-P. Murphy & Company. Also, in its letter to you of the same date, the

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"Board stated that it would withhold action on his application in connection with the National Aviation Corporation and the United States and Foreign Securities Corporation until it had been advised as to what steps Mr. Murphy proposed to take to comply with the law.

"It appears that the additional information which Mr. Murphy offered to submit has not yet been received by the Board. In the circumstances, unless such further information is submitted before August 8, 1934, the Board will assume that Mr. Murphy wishes no further consideration given to his applications and will regard the matter as closed. It is suggested that you advise Mr. Murphy accordingly.

"In the event that Mr. Murphy does not submit further information by August 8, 1934, it will be appreciated if you will advise the Board as to the steps which Mr. Murphy takes to bring the relationships covered by his applications into conformity with the law."

Approved.

Letter dated July 25, 1934, approved by three members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, referring to the applications of Messrs. W. T. Reed and P. L. Reed under section 32 of the Banking Act of 1933 for permits to serve as directors of the First and Merchants National Bank of Richmond and as officers and/or directors of the Reed Land and Investment Corporation, both of Richmond, Virginia, and stating that, on the basis of the information referred to in the letter, the Board believes that the Reed Land and Investment Corporation is not "engaged primarily in the business of purchasing, selling, or negotiating securities" within the meaning of the provisions of section 32 of the Banking Act of 1933; that the Board therefore is of the opinion that no permit under section 32 is required in connection with the relationships covered by the applications; and that, unless there are other facts which the agent believes should be called to the attention of the Board, it will be appreciated

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if he will notify the applicants accordingly.

Approved.

Letter dated July 25, 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. M. T. McMahon, for permission to serve at the same time as a director and officer of The First National Bank of Fergus Falls, Fergus Falls, Minnesota, and as a director and officer of the First State Bank, Underwood, Minnesota.

Approved, together with a letter, also dated July 25, 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. M. T. McMahon of Fergus Falls, Minnesota, to serve as director and officer of the First National Bank of Fergus Falls, Fergus Falls, Minnesota, and the First State Bank, Underwood, Minnesota.

"In considering Mr. McMahon's application it was noted that the District Chief National Bank Examiner recently reports substantial progress in the collection and strengthening of criticized assets of the First National Bank of Fergus Falls, and that the bank's capital is to be increased through the sale of preferred stock to the Reconstruction Finance Corporation. However, the domination of the president and the volume of loans to directors, their families and nonresident friends of the president, largely for speculative or promotional purposes, was the subject of severe criticism by the examiner and the directors were described as inactive, taking no part in the correction of criticized policies. The applicant, being an officer as well as a director of the national bank, may be responsible in a measure for the conditions subject to criticism, but he may have also participated in effecting the corrections noted. In granting the permit the Board took into consideration that the applicant had been a director of the two banks for many years, that the applicant and his interests appear to have made proper use of credit facilities; that he has been regular in attendance at board meetings and that his standing in the community appears to be such that he brings prestige to the institutions involved.

"In all the circumstances, the Board felt that it would be preferable to grant the permit in order to avoid any unnecessary misunderstanding by the community which might prove

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"detrimental to the best interests of the banks but it suggests that you endeavor, in cooperation with the Chief National Bank Examiner of your district, to bring about such further strengthening of the management and correction of the conditions which have given rise to the examiner's criticisms as may be necessary. The Board also desires that when you submit your recommendations as a result of your annual review of this permit, you report fully as to the progress made in bringing about an improvement in the management and condition of the national bank."

Letter dated July 25, 1934, approved by three members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit covering the service of Mr. Charles Stuart as director and officer of The Tilden National Bank, Tilden, Nebraska, as director of The First National Bank of Lincoln, Lincoln, Nebraska and as director of The Citizens State Bank, Lincoln, Nebraska. It is noted that in reply to question numbered 12 on application form 94, the applicant states that he is also serving as director of the Lincoln Telephone Securities Company, Union Holding Corporation, and director and president of the Stuart Investment Company, all of Lincoln, Nebraska.

"While the Board does not have detailed information regarding the character of the business of the three companies above mentioned, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in connection with his service as director and/or officer of the two national banks and as officer and/or director of the three companies. You are, accordingly, requested to withhold delivery of the Clayton Act permit to Mr. Stuart until you are satisfied that Section 32 does not apply to the relationship above described, 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. Stuart's service with either of the three companies 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. Stuart's service comes within the provisions of Section 32, the Board, upon receipt of full information, will

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"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. Stuart's service with any one or all of the three companies and the member banks does not come within the provisions of Section 52 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.

Letters dated July 25, 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. L. C. Chapin, for permission to serve at the same time as a director and officer of The First National Bank of Lincoln, Lincoln, Nebraska, and as a director and officer of The Citizens State Bank, Lincoln, Nebraska.

Mr. E. B. Stephenson, for permission to serve at the same time as a director of The First National Bank of Lincoln, Lincoln, Nebraska, and as a director of The Citizens State Bank, Lincoln, Nebraska.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District NO. 10.</u>		
First National Bank in Scribner, Scribner, Nebraska.	36	36
<u>District No. 11.</u>		
Central National Bank of McKinney, McKinney, Texas.	65	
Citizens National Bank at Brownwood, Brownwood, Texas.	114	179
	<u>Total</u>	<u>215</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 9.</u>		
Duluth National Bank, Duluth, Minn.	12	

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 9. (Continued)</u>			
The American National Bank & Trust Co. of Eau Claire, Eau Claire, Wis.		<u>18</u>	30
<u>District No. 12.</u>			
The Pajaro Valley National Bank of Watsonville, Watsonville, Calif.		15	<u>15</u>
		<u>Total</u>	<u>45</u>
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
Bankers Trust Company, New York, New York.		3,000	
Guaranty Trust Company of New York, New York, New York.		12,000	
The First National Bank of Glen Cove, Glen Cove, New York.		36	
First National Bank in Sea Bright, Sea Bright, New Jersey.		<u>45</u>	15,081
<u>District No. 3.</u>			
The First National Bank of Williamsburg, Williamsburg, Pennsylvania.		90	90
<u>District No. 7.</u>			
The First National Bank of Metcalf, Metcalf, Illinois.		20	20
<u>District No. 8.</u>			
The First National Bank of Gentry, Gentry, Arkansas.		18	
The First National Bank of Bolivar, Bolivar, Missouri.		<u>24</u>	42
<u>District No. 10.</u>			
The Carbonate American National Bank of Leadville, Leadville, Colorado.		72	72
<u>District No. 11.</u>			
The First National Bank of Bellevue, Bellevue, Texas.		25	<u>23</u>
		<u>Total</u>	<u>15,328</u>

Approved.

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Thereupon the meeting adjourned.

Ceester Morill
Secretary.

Approved:

J. H. Lewis
Chairman, Executive Committee.