

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, August 6, 1934, at 11:00 a. m.

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

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 August 4, 1934, approved by three members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter dated July 20, 1934, with regard to indebtedness of officers and employees of the Federal Reserve Agent's department of the Federal Reserve Bank of Philadelphia, and with regard to outside business affiliations of certain officers and employees of the bank.

"The Board's letter of April 29, 1933, X-7425, requested that the Federal Reserve Agent prepare and transmit to the Board a report showing the indebtedness of all of the personnel of his department. The request contemplated the submission of reports covering examiners, research and statistical clerks, stenographers, and all other employees in the Federal Reserve Agent's department. The reports of indebtedness which have been submitted by you do not cover all of the employees of your department, and it is requested that you have prepared and forward to the Board as soon as possible reports giving, as of July 1, 1934, the information called for on page 2 of the Board's letter of April 29, 1934, with regard to the indebtedness of each employee in your department for whom reports have not been submitted previously. As the auditing department of the bank reports to you as chairman of the board of directors, it will not be necessary to furnish reports covering the employees of that department.

"The report inclosed with your letter of July 20, 1934, makes no reference to the present status of the indebtedness previously reported of Mr. H. V. Eichmann, assistant examiner, and Messrs. J. Frank Rehfuss and C. A. Sienkiewicz, of your Statistics and Research Department, and it is requested that you advise the Board with regard thereto.

"The current amount of the second mortgage on the home of Mr. John F. Donnelly, assistant examiner, is reported by you as \$920,

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"reduced from \$1040 on July 1, 1933. The report submitted by Mr. Donnelly as of July 1, 1933, showed the amount of his indebtedness at that time on the second mortgage to be approximately \$500. Advice as to this discrepancy will be appreciated.

"The Board has no record of a previous report from you covering the indebtedness of Mr. T. A. Durkin, examiner, to the United States Veterans' Administration, and it is requested, therefore, that you forward to the Board full information as requested on the second page of the Board's letter of April 29, 1933, with regard thereto, and with regard to his indebtedness to the Equitable Life Assurance Society of New York.

"It is noted that the liability of Mr. John K. Neeley under a trust agreement whereby certain stockholders and directors of the Ardmore Building & Loan Association purchased property from the Association in 1928, on which there remains an indebtedness of \$22,600, was not reported to the Board at the time Mr. Neeley's appointment as an assistant examiner was recommended. It will be appreciated if you will furnish the Board full details with regard to Mr. Neeley's liability in connection with the trust agreement and advise as to the reason why this liability and the indebtedness of Mr. Durkin to the Veterans' Administration were not reported to the Board at the time of their respective appointments.

"Your report also shows that Messrs. Charles F. Eaton, William Hirst, Thomas F. Maude and William H. Soule have incurred new indebtedness which has not been reported previously to the Federal Reserve Board. The Board's letter of April 29, 1933, contemplated that any indebtedness incurred by a member of the Federal Reserve Agent's staff would be reported to the Board immediately after the indebtedness was incurred, and in the Board's letter to you of June 5, 1934, it was suggested that you submit semi-annual reports with regard to the progress being made in the liquidation of the indebtedness previously reported. Accordingly, it is requested that you forward to the Board the information requested on page 2 of the Board's letter of April 29, 1933, with regard to the new indebtedness of the employees above referred to.

"It is also requested that you advise as to the arrangements made by employees who are indebted to banks for the liquidation of such indebtedness.

"It is noted also from your letter, and from the letters written by Messrs. McCreedy and Fredericks, inclosed therewith, that it is felt that, because of existing unusual circumstances, the officers and employees of your bank who have official connections with building and loan associations cannot discontinue their connections without considerable detriment to the associations, and that further time is requested to work out a solution of the matter. It is assumed from your letter that you feel that this request should be granted and that the continuance of the relations in question for a further period will not be harmful to your

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"bank in any way, and, on the basis of this assumption, the Board will interpose no objection to the officers and employees involved continuing in their present positions with the building and loan associations, with the understanding that they will relinquish the positions as soon as such step can be taken without causing undue hardship to the associations. In the event the official connections with the associations have not been terminated by January 1, 1935, it is requested that you advise the Board at that time as to the status of the matter."

Approved.

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

"Reference is made to your letter of July 30, 1934, transmitting a certified copy of a resolution adopted on June 5, 1934, by the board of directors of 'The Dime Deposit Bank and Trust Company of Kulpmont, Pennsylvania', Kulpmont, Pennsylvania, authorizing the withdrawal of this bank from membership in the Federal Reserve System.

"You have advised that the notice of withdrawal was received in acceptable form in your office on June 16, 1934. At the expiration of six months from that date, therefore, upon the surrender of the Federal reserve bank stock held by The Dime Deposit Bank and Trust Company of Kulpmont, Pa., the Federal Reserve Bank of Philadelphia is authorized to make appropriate refund thereon."

Approved.

Letter dated August 3, 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 Mr. Dillistin's letter of July 19, 1934, recommending that the Washington Irving Trust Company, Tarrytown, New York, be permitted to effect a merger with 'The Tarrytown National Bank and Trust Company', Tarrytown, New York, the merged institution to continue under the charter of the 'Washington Irving Trust Company', which institution will operate a branch at the present location of the national bank.

"The Board has reviewed the information submitted, from which it appears that the transaction will result in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the member institution within

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"the meaning of the general condition under which the bank was admitted to membership. The Board will, therefore, interpose no objection to the transaction provided the proceedings, contracts and agreements in connection therewith are, in the opinion of your counsel, legally effective; that the merger and establishment of the branch are approved by the appropriate State authorities; that all assets classified as loss by the examiner for the New York State Banking Department as of April 21, 1934, together with other known losses and depreciation in securities other than those in the four highest grades, are eliminated from the merging institutions and that the capital structure of the member bank is increased in an amount sufficient to provide proper protection for the combined deposit liability.

"It is understood that the merger will not result in any change in the corporate existence of the Washington Irving Trust Company which will affect its status as a member bank or in any amendment to its charter except in connection with the increase of its capital stock. However, if you have not already done so, it is suggested that you obtain the advice of your counsel on these points. Please also furnish the Board with a copy of an opinion of your counsel in connection with the transaction together with copies of any amendments to the bank's charter and a copy of the agreement covering the transaction.

"It is observed from the analysis of the report of examination as of February 14, 1934, that your examiner classified \$21,000 of loans as estimated losses whereas the State examiner only classified \$1,200 as loss. It is requested that you advise the Board as to the disposition made of the losses as classified by your examiner and, upon completion of the merger, it will be appreciated if you will forward definite information as to the eliminations made by the merging institutions."

Approved.

Letter dated August 4, 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 Mr. Dillistin's letter of July 23, 1934, recommending that the 'West Side Trust Company', Newark, New Jersey, be permitted to effect a merger with its affiliate, 'The Peoples National Bank of Newark', Newark, New Jersey, in order to comply with condition numbered 23 prescribed at the time the bank was admitted to membership, and a similar condition prescribed in connection with the granting of a limited voting permit.

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"The Board will interpose no objection to the merger under the plan as set forth in Mr. Dillistin's letter, provided the proceedings, contracts, and agreements in connection therewith are, in the opinion of your counsel, legally effective, and that the transaction is approved by the appropriate State authorities and the Comptroller of the Currency. Please furnish the Board with a copy of an opinion of your counsel in connection with the transaction.

"It is observed from the report of examination of the West Side Trust Company as of May 26, 1934, that losses estimated by the examiner aggregated \$158,608. It will be appreciated if you will advise the Board regarding the bank's disposition of these losses."

Approved.

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

"This refers to Mr. Fry's letter of July 2, 1934, with regard to whether the 'Union Trust Company of Maryland', Baltimore, Maryland, may acquire certain preferred stock of the Hahn Department Stores. It is understood that the facts involved in this matter are as follows:

"The Union Trust Company has acquired a considerable number of shares of the common stock of the Hahn Department Stores, which were taken over by the trust company in satisfaction of debts secured by such stock. It appears that there is a limited market for such common stock and the trust company feels that it would be advantageous to it to exchange such stock for preferred stock of the Hahn Department Stores. As pointed out in an opinion rendered by your counsel which was forwarded to the Board, the method by which such exchange would be effected was not clear and accordingly a member of the Board's staff discussed this matter over the telephone with Mr. Hoff, Vice President of the Union Trust Company. Mr. Hoff advised that his understanding of the matter was that the common shares of the Hahn Department Stores now owned by the bank would be delivered to a broker who would find a buyer therefor and with the proceeds purchase preferred shares which would be delivered to the bank. Subsequently, Mr. McAdams, the President of the Union Trust Company, addressed a letter to the Board in which he advised that the Union Trust Company has not attempted to develop any definite plan for effecting the exchange of the common stock of the Hahn Department Stores for the preferred shares of that company but that it had occurred to the officers of the trust company that the services of some broker might be enlisted who would acquire Hahn Department Stores preferred shares and submit to the trust

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"company a proposition to exchange such preferred shares for an appropriate number of common shares of the Hahn Department Stores, together with such cash as would put the exchange on a proper basis.

"Under the provisions of the Federal Reserve Act, as pointed out in the opinion submitted by your counsel, a State member bank may not lawfully purchase stock in a corporation, with certain exceptions which are not material to the present discussion. Your counsel, as noted above, called attention to the fact that the proposed method of exchange is not clear, but stated that, if it is contemplated that the trust company will sell the common stock of the Hahn Department Stores for cash and then acquire preferred stock of the Hahn Department Stores with the proceeds of such sale, it is his opinion that such an acquisition of the preferred shares would constitute a purchase of stock in violation of the provisions of the Federal Reserve Act, and the Board concurs in this conclusion of your counsel.

"While it appears that the Union Trust Company has not decided what procedure it would follow in the proposed acquisition of the preferred shares of the Hahn Department Stores, it appears that the procedure suggested by the President of the Union Trust Company is in substance the same procedure as that described by your counsel and referred to above. However, in the absence of definite advice as to the procedure which the trust company wishes to follow, the Board will not attempt to rule on the matter but will be glad to rule upon submission of definite detailed advice from the trust company as to what procedure it proposes to follow. It will, of course, be appreciated if any further request from the trust company for a ruling is accompanied by an opinion of your counsel. Please call the provisions of law involved to the attention of the Union Trust Company and advise it of the Board's views."

Approved.

Letter dated August 3, 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 Mr. Young's letter of June 30, 1934, inclosing photostatic copy of a letter from Mr. Martin of the Detroit Branch relative to proposed adjustments involving reductions in the common capital of various State member banks in the Detroit zone, which have been approved by the State Banking Department of Michigan and have the favorable recommendation of your office.

"In connection with the proposed changes in the capital of the 'Chelsea State Bank', Chelsea, Michigan, it is observed that

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"the present common capital is to be reduced from \$110,000 to \$55,000, the released capital to be used to eliminate undesirable assets, and that the bank's capital will be increased by the sale of \$55,000 of preferred stock to be sold to the Reconstruction Finance Corporation. The proposed plan would appear to be of material benefit to the institution.

"In the circumstances, the Board will interpose no objection to the proposed reduction provided that your counsel is satisfied as to its legal aspects. It will be appreciated if you will advise the Board as to the eliminations made by the bank upon completion of the plan, and forward copies of any amendments made to the bank's charter for the Board's files."

Approved.

Letter dated August 3, 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 Mr. Young's letter of June 30, 1934, inclosing photostatic copy of a letter from Mr. Martin of the Detroit Branch relative to proposed adjustments involving reductions in common capital of various State member banks in the Detroit zone, which have been approved by the State Banking Department of Michigan and have the favorable recommendation of your office, and also to Mr. Young's letter of July 27, 1934 advising that one of the banks so mentioned, the 'Peoples Commercial and Savings Bank', Bay City, Michigan, would be examined on or about August 20, 1934.

"The Board understands that no definite plan has been agreed upon for the rehabilitation of the capital of the Peoples Commercial and Savings Bank, Bay City, Michigan, and in the circumstances feels it advisable to defer action on the matter of the reduction in the bank's common capital until after the contemplated examination has been made. The Board will then be pleased to consider such recommendation as you may desire to make in the premises."

Approved.

Letter dated August 3, 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 Mr. Young's letter of June 30, 1934, inclosing photostatic copy of a letter from Mr. Martin of the Detroit

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"Branch relative to proposed adjustments involving reductions in the common capital of various State member banks in the Detroit zone, which have been approved by the State Banking Department of Michigan and have the favorable recommendation of your office.

"In connection with the proposed changes in the capital of 'The Blissfield State Bank', Blissfield, Michigan, it is observed that the present common capital is to be reduced from \$50,000 to \$25,000, the released capital to be used to eliminate undesirable assets, and that the bank's capital will be increased by the sale of \$75,000 of preferred stock to the Reconstruction Finance Corporation and/or local interests. The proposed plan would appear to be of material benefit to the institution.

"In the circumstances, the Board will interpose no objection to such reduction under the plan described provided your counsel is satisfied with the legal aspects of the matter. It will be appreciated if you will advise the Board as to the eliminations made by the bank upon completion of the plan, and forward copies of any amendments made to the bank's charter for the Board's files."

Approved.

Letter dated August 3, 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 Mr. Young's letter of June 30, 1934, inclosing photostatic copy of a letter from Mr. Martin of the Detroit Branch relative to proposed adjustments involving reductions in the common capital of various State member banks in the Detroit zone, which have been approved by the State Banking Department of Michigan and have the favorable recommendation of your office, and also to Mr. Young's letter of July 25, 1934 inclosing copy of a letter from Mr. Martin referring further to the proposed plan for adjustment of the capital of 'The Crossman and Williams State Bank', Williamston, Michigan.

"In connection with the proposed changes in the capital of The Crossman and Williams State Bank, Williamston, Michigan, it is observed that under the plan proposed the present common stock is to be reduced from \$40,000 to \$20,000, the released capital, together with a stockholders' assessment of \$20,000 to be used to eliminate undesirable assets, and the bank's capital is to be increased by the sale of \$20,000 of preferred stock to the Reconstruction Finance Corporation. The proposed plan would appear to be of material benefit to the institution.

"The conditions of membership prescribed for The Crossman and



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"Williams State Bank do not include a condition requiring the Board's approval of a reduction in capital stock and under the law the approval of the Board is not required. However, it has been observed that, although the amount of capital stock of The Crossman and Williams State Bank after the proposed recapitalization would be in excess of the minimum capital required for admission of a bank to membership in the Federal Reserve System in a place the size of Williamston, the amount of capital of such bank would nevertheless be insufficient for the organization of a national bank in this locality. In this connection, the Board has heretofore ruled that a member State bank may not, while remaining a member of the Federal Reserve System, reduce its capital below the amount required for the organization of a national bank in the place in which the State bank is located. In the present case, it appears that after the proposed reduction and increase, which are to be effected as a part of a plan for rehabilitation of the bank, have been effected, the aggregate capital of the bank will be equal to its present capital. In these circumstances, the Board feels that the purposes of the law will have been substantially complied with, and no objection will be interposed to the proposed adjustment in the bank's capital provided the reduction is valid under State law.

"It will be appreciated if you will advise the Board as to the eliminations made upon completion of the proposed plan of rehabilitation and forward copies of any amendments made to the bank's charter for the Board's files."

Approved.

Letter dated August 3, 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 Mr. Young's letter of June 30, 1934, inclosing photostatic copy of a letter from Mr. Martin of the Detroit Branch, relative to capital adjustments involving reductions in the common capital of various State member banks in the Detroit Branch zone.

"In connection with 'The United Savings Bank', Detroit, Michigan, it is observed from the information heretofore submitted by your office, that the institution effected a reduction of \$500,000 in its common stock and immediately increased its capital by the sale of \$1,000,000 of preferred stock to the Reconstruction Finance Corporation. It is also observed that approximately \$798,000 of undesirable assets were eliminated from the bank at the time of the capital adjustment, and while it appears that all of the estimated losses as shown in the report of examination as of November 20, 1933 were not eliminated, it is evident that the transaction was of material benefit

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"to the institution.

"The Board's approval of the reduction in capital is not required by law or the conditions under which the subject bank was admitted to membership but it is assumed that the transaction was approved by the appropriate State authorities, and that your counsel is satisfied as to the legality of the proceedings. Please forward for the Board's files any amendments to the bank's charter made in connection with the capital adjustment.

"It is assumed that another examination will be made of the subject bank in the near future, and upon completion of such examination, it is requested that you advise the Board promptly as to the plans of the bank in eliminating any remaining losses in its assets."

Approved.

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

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Clayton', Clayton, Missouri, from \$100,000 to \$20,000, pursuant to a plan which provides for the sale of \$100,000 of preferred stock to the Reconstruction Finance Corporation, the issuance of \$150,000 of Class 'B' preferred stock in lieu of the present outstanding preferred stock, and the conversion of \$100,000 of such Class 'B' preferred stock into common stock of an aggregate par value of \$50,000; and provides also for the use of the released common and preferred capital in eliminating approximately \$130,000 of substandard assets, all as set forth in Mr. Awalt's memorandum of July 27, 1934 and the recapitalization plan referred to therein."

Approved.

Letter dated August 4, 1934, approved by three members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Board approves a reduction in the common capital stock of 'The First National Bank of Salida', Salida, Colorado, from \$100,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$150,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital, together with the bank's surplus and undivided profits accounts, shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in Mr.

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"Awalt's memorandum of July 19, 1934.

"In considering the plan under which the proposed reduction in common capital is to be effected, it was noted that the aggregate amount of securities depreciation unprovided for will seriously impair the bank's capital, even after giving consideration to the fact that security values have improved subsequent to the date of examination. It was also noted that the management was regarded as unsatisfactory by your examiner. It is assumed, however, that you have these conditions in mind and that whenever it becomes feasible to do so you will obtain such further corrections as may be practicable."

Approved.

Telegram dated August 4, 1934, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that the Board has given consideration to the application of the "Continental Illinois National Bank and Trust Company of Chicago", Chicago, Illinois, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, authorizing such organization to vote the stock which it owns or controls in the "Continental National Bank and Trust Company of Chicago", Chicago, Illinois, 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 authorized herein, applicant shall agree as follows:

"First. That within such time as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Chicago, and in any event prior to November 1, 1934, the undersigned will charge off or otherwise eliminate, and will cause Continental National Bank and Trust Company of Chicago to charge off or otherwise eliminate, if such banks have not already done so, (a) all estimated losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades as classified by an investment service organization regularly engaged in the business of rating and grading securities, and (d) all other known losses; such charge offs or eliminations to be based on current examinations or credit investigations and to

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"be of such nature and extent as shall be satisfactory to the Comptroller of the Currency and such Federal Reserve Agent.

"Second. That the undersigned will make such corrections, and will cause Continental National Bank and Trust Company of Chicago to make such corrections, as shall be requested by such Federal Reserve Agent in order to remove the cause of any criticism relating to any feature of the practices, policies, management or financial condition of such banks, which has been made by the Comptroller of the Currency or such Federal Reserve Agent.

"Third. That the undersigned will take such steps as shall be necessary to insure that Continental National Bank and Trust Company of Chicago shall not enlarge or broaden the scope of its present activities without the prior written approval of the Comptroller of the Currency."

and for the following purposes:

"To elect directors of such bank at any meeting of shareholders, or at any adjournment thereof, at any time prior to November 1, 1934, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank."

The telegram authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Continental Illinois National Bank and Trust Company of Chicago, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with, and stated that the permit authorized shall be drawn so as to entitle Louis Eckstein, James R. Leavell, and D. R. McLennan, trustees, or their successors as such, to vote the shares of stock which the Continental Illinois National Bank and Trust Company owns or controls of the Continental National Bank and Trust Company.

Approved.

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

"Receipt is acknowledged of your letter of July 19, 1934, in connection with the Elliott State Bank, Jacksonville, Illinois, with

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"regard to whether a State bank in Illinois may lawfully deposit securities in its trust department to secure trust funds deposited in its banking department.

"You advised that on December 20, 1933, your counsel requested the State Banking Department of Illinois to obtain an opinion of the Attorney General of that State with regard to this question, but that such an opinion has not yet been received. You inclosed with your letter a copy of an opinion by counsel for the Elliott State Bank, Jacksonville, Illinois, indicating that a State bank in Illinois may not lawfully pledge securities in its trust department to secure trust funds deposited in its banking department, and it is assumed that your counsel concurs in this view. In this connection, you requested advice as to whether this matter should be called to the attention of each State member bank in Illinois that has accepted a condition of membership to the effect that any trust funds held by the member bank and deposited in its banking department must be secured by the deposit of securities in its trust department.

"As noted in your letter, the condition of membership prescribed by the Board in this connection contemplates that any deposit of securities in the trust department of a member bank to secure trust funds deposited in its banking department shall result in the creation of a valid pledge for the security of such funds, and in view of the circumstances involved the Board believes that you should call the attention of each State member bank located in the State of Illinois and in your district and subject to such condition to the opinion referred to above indicating that a valid pledge may not be made under the laws of Illinois for the purpose of securing trust funds deposited in the banking department of a bank organized under the laws of that State.

"Since a part of the State of Illinois is in the District of the Federal Reserve Bank of Chicago, copies of the Board's correspondence with you with regard to this matter are being forwarded to the Federal Reserve Agent at the Federal Reserve Bank of Chicago in order that the procedure followed by the Federal Reserve Bank of Chicago and the Federal Reserve Bank of St. Louis with respect to this matter may be uniform, and you may wish to discuss the matter with the Agent at the Federal Reserve Bank of Chicago before communicating with the appropriate State member banks in your district."

Approved.

Letter dated August 3, 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:

"The Board has received your letter of July 25, 1934, regarding the applications for permits under Section 32 of the Banking Act of

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"1933 of Mr. Wilfrid M. Hager to serve as director of the Princeton Bank and Trust Company, Princeton, New Jersey and as a partner of Shove, Hager & Company, Colorado Springs, Colorado, and of Mr. E. P. Shove to serve as a partner of the latter firm and as director and officer of the First National Bank of Colorado Springs, Colorado Springs, Colorado.

"It is noted that pursuant to the request made by you on June 29, 1934 for additional information pertaining to the nature of the business carried on by Shove, Hager & Company, you received a letter from that firm stating that a detailed and complete reply would be sent within a few days and that, subsequently, you had a telephone conversation with the president of the First National Bank of Colorado Springs concerning the applicability of Section 32 to Mr. Shove's service to that bank and to Shove, Hager & Company, in the event the latter firm became a corporation and Mr. Shove had no connection with the corporation other than as a shareholder.

"It appears that the additional information which Shove, Hager & Company offered to submit has not yet been received by the Board. In the circumstances, unless such further information is submitted before August 31, 1934, or, before that date, the Board is informed that the applicants have taken necessary steps to comply with the provisions of the law, the Board will assume that Mr. Hager and Mr. Shove are satisfied to have their applications considered on the basis of the information now before the Board, which information indicates that Shove, Hager & Company is primarily engaged in the business of purchasing, selling or negotiating securities within the intendment of Section 32 and that it makes loans secured by stock or bond collateral within the scope of Section 8A of the Clayton Act. It is suggested that you advise the applicants accordingly."

Approved.

Letter dated August 3, 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:

"Receipt is acknowledged of your letter of July 27, 1934, concerning the application of Mr. S. Waldo Coleman for a permit under Section 32 of the Banking Act of 1933 to serve as a director of the Bank of California National Association and as president and director of the North American Securities Company, both of San Francisco, California, in which letter there was inclosed a copy of a letter to you from Mr. C. K. McIntosh, president of the above-mentioned bank.

"Mr. McIntosh has stated that the North American Securities Company is engaged in the business of marketing the shares of the Commonwealth Investment Company. Also he has suggested two possible methods by which Mr. Coleman may continue to serve as director of

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"the bank in conformity with the law. One of such methods contemplates the resignation of Mr. Coleman as an officer or director of the North American Securities Company while the other contemplates that the North American Securities Company will cease its present activities in distributing stock of the Commonwealth Investment Company. Under the latter arrangement, the Commonwealth Investment Company, of which Mr. Coleman is stated also to be an officer and director, would sell its own shares directly to dealers and to the public.

"As you know, Section 32 covers service by an officer or director of a member bank at the same time as an officer, director or manager of any corporation, partnership or unincorporated association engaged primarily in the business of purchasing, selling or negotiating securities. Accordingly, if Mr. Coleman ceases to be an officer and director of the North American Securities Company and such relationship as he may continue to have with that company is not in a managerial capacity, Mr. Coleman's service to the company and to the Bank of California National Association will not come within the scope of the provisions of Section 32. Conversely, if Mr. Coleman continues to act as director or officer of the North American Securities Company or if he serves that company in a managerial capacity, his service as a director of the member bank will come within the prohibitions of Section 32.

"It is the Board's understanding that at the present time the sole activity of the North American Securities Company is marketing the stock of the Commonwealth Investment Company and it is by reason of such activity that the Board has previously held that the North American Securities Company is engaged primarily in the business of purchasing, selling or negotiating securities within the scope of Section 32. If the latter company ceases to engage in the distribution of the Commonwealth Investment Company's stock and carries on no other business which may be regarded as coming within the scope of Section 32, Mr. Coleman may continue to serve the company and the member bank without violating the law, since the relationship is not covered by the section.

"Your attention is invited to the statement in Mr. McIntosh's letter that Mr. Coleman is now serving as an officer and director of the Commonwealth Investment Company. This relationship is not mentioned in Mr. Coleman's application and the fact has not previously come to the notice of the Board. In the circumstances, it is suggested that you ascertain whether the business of the latter is such that it may be regarded as engaged primarily in the business of purchasing, selling or negotiating securities within the provisions of Section 32. If you find that Mr. Coleman's service to the Commonwealth Investment Company and to the Bank of California National Association comes within the provisions of Section 32, you are requested to bring to his attention the requirements of that section with reference to the relationship involved and to notify him that he may file an application for a permit covering such service. Of

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"course, if upon consideration of the pertinent facts, with the advice of your counsel, you are unable to determine whether Mr. Coleman's service to the Commonwealth Investment Company and the member bank comes within the provisions of Section 32, the Board, upon receipt of full information, will be pleased to rule upon the question.

"It will be appreciated if you will advise the Board what disposition is made of the foregoing matters."

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Lewis G. Harriman, for permission to serve at the same time as a director of the Buffalo branch of the Federal Reserve Bank of New York, and as a director and officer of the Manufacturers and Traders Trust Company, Buffalo, New York.

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

"The Board has given consideration to the application of Mr. Lewis G. Harriman, c/o Manufacturers and Traders Trust Co., Buffalo, New York, for permission under the provisions of the Clayton Act to serve at the same time as director of the Buffalo Branch of the Federal Reserve Bank of New York, Buffalo, New York, and director and officer of the Manufacturers and Traders Trust Company, Buffalo, New York, also as director of the Lockport Exchange Trust Company, Lockport, New York, and upon the basis of the information before it feels that the issuance of the permit applied for to serve the Lockport Exchange Trust Company would be incompatible with the public interest. Permission has been granted to serve the Buffalo Branch of the Federal Reserve Bank of New York, and the Manufacturers and Traders Trust Company, both of New York. You are requested to advise the applicant as to the Board's position in the matter, unless there are further facts which were not submitted with the application and which you feel should be given consideration.

"In communicating with the applicant, you are requested to advise him that, in accordance with Section V (g) of Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms which he feels should be brought to the Board's attention before a final decision is made. In this connection, please advise the Board promptly as to whether Mr. Harriman desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.



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"If you deem it desirable or necessary you are authorized to inform Mr. Harriman that the Board's action upon his application was based upon a poor financial condition of the Lockport Exchange Trust Company, and his non-attendance at its directors' meetings. No evidence was submitted to show that Mr. Harriman has otherwise discharged his responsibilities to this bank."

Letter dated August 3, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"This refers to the letters of Assistant Federal Reserve Agent Fry of May 10 and June 13, 1934, relative to the Clayton Act application of Mr. R. C. Barclay for permission to serve at the same time as director of the American National Bank and the Portsmouth Savings and Loan Corporation, both of Portsmouth, Virginia.

"The information available to the Board in connection with the above named application indicates that the Portsmouth Savings and Loan Corporation is not a banking institution of the character contemplated by the Clayton Act concerning which the Board would be authorized to issue a permit to a director to serve. It also appears that such corporation does not operate under a building and loan association charter and that it probably makes loans secured by stock or bond collateral within the meaning of Section 8A of the Clayton Act. It is also noted that the corporation and the applicant failed to comply with your request for a copy of the corporation's charter, or certificate of incorporation and by-laws, and other information which would aid the Board in determining whether or not the relationship of Mr. Barclay described above falls within the prohibitions of the Clayton Act.

"In the circumstances, therefore, you are requested to advise the applicant that, from the information available, the Board is without authority to grant his application. In this connection, please advise the Board promptly as to whether Mr. Barclay desires to submit any additional data and if not as to what steps he proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

Letter dated August 4, 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:

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"There are inclosed the Clayton Act permits and copies thereof issued by the Board to Mr. I. J. Vernon, Coweta, Oklahoma, covering his services as director of The First National Bank of Coweta and director and officer of The First National Bank of Porter, both of Oklahoma, and to Mrs. W. S. Vernon, also of Coweta, Oklahoma, covering her services as director of the two banks named, for transmittal by you to the applicants and the two banks, together with a copy for your files. In connection with these two applications the Board also has reviewed the existing permit issued March 26, 1932 to Mr. C. C. Hultquist, Muskogee, Oklahoma, covering the two banks named above and The First National Bank and Trust Company of Muskogee, Oklahoma.

"It has been noted from information contained in the examination reports of The First National Bank of Coweta, particularly the one dated December 28, 1933, that the nature and amount of the credit extended to the Vernon Cotton Company, in which both of the applicants were interested, had been criticized. It appears that the cotton company, the financial responsibility of which was reported to be limited, has been extended seasonally an unwarranted and hazardous line of credit for the purpose of enabling it to purchase cotton. The line of credit extended during the 1933-34 crop buying season was reported to have reached \$40,000, although the bank's board of directors had passed a resolution limiting this line to \$15,000. Although the Board feels that such criticized practices should not be condoned, in granting the permits consideration was given to the fact that the two Vernons and Mr. Hultquist own a majority of the stock in both banks and that the refusal of these permits might result in a misunderstanding by the communities and be harmful to the banks. However, the Board feels that a repetition of the undue and hazardous extension of credit to the Vernon interests would be cause for revocation of the permits and the applicants should be informed of the Board's attitude in this matter.

"The Board suggests that you endeavor, in cooperation with the Chief National Bank Examiner of your district, to bring about a correction of the conditions which have given rise to the examiners' criticisms. When you submit your recommendations, as a result of your annual review of these permits, the Board requests that you report fully as to the use of the banks' credit by the Vernon interests."

Approved.

Letters dated August 3, 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. A. Lindsay O'Connor, for permission to serve at the same time as a director of The National Bank of Hobart, Hobart, New York,

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and as a director of The First National Bank of Grand Gorge, Grand Gorge, New York.

Mr. Leon Daube, for permission to serve at the same time as a director of the Exchange National Bank of Ardmore, Ardmore, Oklahoma, and as a director of The National Bank of Commerce at Hugo, Hugo, Oklahoma.

Approved.

Letters dated August 3, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. D. M. Montgomery, for permission to serve at the same time as a director and officer of The First National Bank in Marlow, Marlow, Oklahoma, and as a director of The City National Bank of Lawton, Lawton, Oklahoma.

Mr. J. R. Montgomery, for permission to serve at the same time as a director and officer of The City National Bank of Lawton, Lawton, Oklahoma, and as a director of The First National Bank in Marlow, Marlow, Oklahoma.

Mr. P. V. Rabb, for permission to serve at the same time as a director and officer of The First National Bank in Marlow, Marlow, Oklahoma, and as a director of The City National Bank of Lawton, Lawton, Oklahoma.

Approved.

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

Mr. Oliver B. Bradley, for permission to serve at the same time as a director and officer of The First National Bank of Easthampton, Easthampton, Massachusetts, and as a director of The First National Bank of Northampton, Northampton, Massachusetts.

Mr. William L. Pitcher, for permission to serve at the same time as a director of The First National Bank of Easthampton, Easthampton, Massachusetts, and as a director of The First National Bank of Northampton, Northampton, Massachusetts.

Mr. Frank J. Kramer, for permission to serve at the same time as a director and officer of the First National Bank in St.

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Charles, St. Charles, Minnesota, and as a director of the Altura State Bank, Altura, Minnesota.

Mr. R. L. Gibson, for permission to serve at the same time as a director and officer of The First National Bank of Waurika, Waurika, Oklahoma, and as a director and officer of The Farmers National Bank of Waurika, Waurika, Oklahoma.

Approved.

There was then presented the following application for change in stock of a Federal reserve bank:

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

Approved.

Thereupon the meeting adjourned.

Walter Merrill  
Secretary.

Approved:

E. R. H. G.  
Governor.