A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, August 14, 1934, at 4:20 p. m.

PRESENT: Mr. Black, Governor
Mr. James
Mr. Thomas
Mr. Morrill, Secretary
Mr. Martin, Assistant to the Governor.

Shortly after the meeting convened, Mr. Wyatt, General Counsel, was called into the room.

Governor Black stated that he had discussed with the Secretary of the Treasury this afternoon the matter of the sale by Secretary Morgenthau to the Federal Reserve Board of the property owned by the Government and facing on Constitution Avenue between 20th and 21st Streets, N. W., described as squares E-87 and E-88, and that Mr. Morgenthau had offered to sell the property to the Board for an amount equal to its purchase price plus interest on that amount at the average rate paid each year by the Treasury on its outstanding obligations, for the period from the date of the acquisition of the property by the Government to the date of its acquisition by the Federal Reserve Board.

The acceptance of Secretary Morgenthau's offer was unanimously approved, and Governor Black was authorized to transmit to the Secretary a letter reading as follows:

"I beg to advise that I have presented to the Federal Reserve Board your offer to sell to the Federal Reserve Board for its new building in Washington Squares E-87 and E-88 facing Constitution Avenue, between 20th and 21st Streets, Northwest, for a sum equal to the purchase price paid by the Government for the property sold plus interest on the same at the average rate paid each year by the Treasury on its outstanding obligations, for the period from the date of the acquisition of the property by the Government to the date of its acquisition by
the Board, and that your offer was accepted. Upon delivery of deed conveying good title the consideration will be paid. The descriptions contained in this acceptance are descriptions furnished us by Mr. Delano, Chairman of the National Capital Park and Planning Commission. "I am requested by the Board to express its appreciation of your cooperation in the matter."

It was understood that the details with respect to the transfer of title of the property will be worked out in the office of the Board's counsel upon receipt of certain information which is to be furnished by Mr. T. S. Settle, Secretary of the National Capital Park and Planning Commission, with respect to the further description of the property to be conveyed.

The Committee then considered and acted upon the following matters:

Telegram dated August 14, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising of the election of Mr. Arthur Sewall, President of the Bath National Bank, Bath, Maine, as a Class A director of the Boston bank for the unexpired portion of the term ending December 31, 1936, to succeed Mr. E. S. Kennard, deceased.

Noted.

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

"Reference is made to your letter of July 17, 1934, regarding the proposed plan of reorganization of the Worcester Bank and Trust Company, Worcester, Massachusetts, and the information which has been furnished the Board with respect thereto, including the information contained in a letter of August 9, 1934, addressed to Governor Black by Mr. Ripley L. Dana, counsel for the trust company, a copy of which, it is
"understood, has been furnished to you, in connection with a possible application by the trust company for admission to membership in the Federal Reserve System. It is understood that the reorganization of the trust company will be effected with the consent of all of the holders of Classes A, B, and C certificates issued by the Worcester Depositors' Corporation and with the approval of the Commissioner of Banks of the State of Massachusetts, and, on the basis of the information which has been submitted, the Board has no objection to offer to the proposed plan of reorganization.

"The Board does not now have before it an application for membership in the Federal Reserve System upon which to pass, but upon the submission of such an application, together with the detailed information usually required, it will be glad to give consideration to such an application. In this connection, it is understood from the letter to Mr. Carrick by Mr. Dana, dated July 11, 1934, that the Worcester Bank and Trust Company has a trust department with assets aggregating approximately $28,000,000, and the Board feels that prior to action on an application for membership by the trust company a thorough examination should be made of the trust department of that institution, as well as the examination of the assets to be acquired from the national banks and other sources, which the Board is advised is now contemplated.

"The Board has not been furnished with any information with regard to the proposed management of the reorganized trust company except that it is understood that the management will be satisfactory to your office. In connection with an application by the trust company for membership, the Board, in accordance with the usual practice, should be furnished with full information regarding the character of the proposed management of the reorganized institution.

"It has been observed that directors of the trust company will contribute $350,000 as a part of the proposed plan of reorganization in satisfaction of any and all personal liability on account of certain transfers of the assets of the Worcester Bank and Trust Company to the Worcester County National Bank. Mr. Dana's letter to Governor Black, dated August 9, 1934, contains a brief explanation regarding the character of the transactions and the amount of the possible liability of the directors as a result thereof. In connection with any application for membership, the Board would like to have a statement of your views as to what bearing, if any, the action of the directors referred to has on the question as to whether the management of the reorganized institution may be approved.

"It appears that the plan of reorganization will result in the establishment of certain branches by the Worcester Bank and
"Truxt Company beyond the corporate limits of the City of Worcester, and it is assumed that in connection with an application for membership appropriate steps will be taken in accordance with the Board's letter of February 9, 1934, X-7786, to obtain approval of the Comptroller of the Currency for the establishment of any such branches. "It is also assumed that in working out the plan of reorganization, appropriate steps will be taken to obtain any necessary voting permits."

Approved.

Letter to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, with regard to the steps which should be taken to correct the matters commented on in the report of examination of the "Union Trust Company", Providence, Rhode Island, as of February 26, 1934.

Approved.

Letter dated August 13, 1934, approved by four members of the Board, to the "Northwestern National Bank in Philadelphia", Philadelphia, Pennsylvania, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania, only in the specific trusts in which The Northwestern National Bank and Trust Company of Philadelphia had been appointed and was acting on the date the Northwestern National Bank in Philadelphia was authorized by the Comptroller of the Currency to commence business, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. Action has been deferred upon your application for full fiduciary powers until after an examination has been made of your bank and a report of such examination is available.

"The Board feels that, if you are tendered any of the trusts
"In connection with the above letter, consideration was given to a memorandum dated August 10, 1934, from Mr. Wingfield, Assistant Counsel, stating that the Northwestern National Bank does not have the common capital stock required for the organization of trust companies and State banks with trust powers in Pennsylvania, nor does it have the amount of surplus required for the organization of such institutions, but that it does have an aggregate capital (including preferred stock) and surplus greater than the aggregate capital and surplus required for the organization of State institutions in Pennsylvania with trust powers. The memorandum stated also that it is the Board's usual practice in passing on applications of national banks for permission to exercise trust powers to adhere strictly to the requirements of the State law relating to capital and surplus applicable to the organization of State institutions with trust powers; that, however, the Board in a recent case (The Tradesmens National Bank of New Haven, Connecticut) arising under the laws of the State of Connecticut and, in circumstances similar to those involved in the present case, took the position that it may properly grant fiduciary powers to a national bank in that State; that in that case the Connecticut authorities advised the Board that they felt the requirements of the State law were substantially complied with and that they had no objection to the granting of a permit to a national bank in Connecticut to exercise trust powers.

Approved.

In connection with the above letter, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption may be detrimental to the interests of your institution."

(End of Document)
on the basis described above; that in the present case the banking authorities in Pennsylvania apparently feel that the capital and surplus requirements applicable to the organization of State institutions with trust powers would not be substantially complied with and they object to the granting of trust powers to national banks in that State, which do not have the amount of common capital stock and the amount of surplus required of such State institutions; and that the position taken by the Pennsylvania State authorities raises a question of policy as to whether, as a matter of cooperation, the Board should grant trust powers to the Northwestern National Bank in Philadelphia or to other national banks in Pennsylvania on a similar basis with regard to capital and surplus. The memorandum stated further that a number of applications for trust powers by national banks located in Pennsylvania involving the questions discussed above have been received by the Board, and the Board's action on the application of the Northwestern National Bank, therefore, involves a decision of policy which will be applicable to a number of national banks in Pennsylvania.

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

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'National Bank of Suffolk', Suffolk, Virginia, from $500,000 to $250,000.

"It is the Board's understanding, in approving this reduction, that none of the released capital will be returned to the stockholders but will be used to eliminate approximately $121,000 of the least desirable of the bank's assets and to establish a reserve to provide for other losses and depreciation as they may develop, all as set forth in Mr. Awalt's letter dated July 25, 1934."

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

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The St. Charles National Bank', St. Charles, Illinois, from $100,000 to $60,000, pursuant to a plan which provides that the bank's capital shall be increased by $40,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a portion of the bank's surplus and undivided profits accounts, shall be used to eliminate unsatisfactory assets and securities depreciation in the amount of approximately $80,173, all as set forth in Mr. Awalt's memorandum of August 4, 1934."

Approved.

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

"Retel August 8, 1934. As requested by you Board's [illegible] telegram dated April 7, 1934, regarding 'The McCloud River Lumber Company', McCloud, California, is hereby amended by substituting October 1 for July 1 in Section D of such telegram."

Approved.

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

"Receipt is acknowledged of Mr. Fletcher's letter of July 20, 1934, submitting a request from The Union National Bank of Waynesburg, Waynesburg, Pennsylvania, for an expression of the Board's views as to whether a national bank located in the State of Pennsylvania which has received permission from the Federal Reserve Board to exercise trust powers is required also to obtain a permit from the Department of Banking of the State of Pennsylvania to exercise such trust powers in that State.

"The Federal Reserve Board has heretofore had occasion to consider the question submitted by The Union National Bank of Waynesburg at the request of a national bank located in another State, and the following statement is quoted from a letter signed by the Governor of the Federal Reserve Board which the Board
addressed to the national bank involved on February 14, 1930:

"Your letter of February 4th addressed to the
Comptroller of the Currency with reference to the right of the
Bank of [Redacted], to act as adminis-
trator has been referred to the Federal Reserve Board for
reply. In 1927, the Federal Reserve Board granted per-
mission to the Bank to act as administrator
and in certain other fiduciary capacities. It appears that
this national bank has now entered a suit as administrator
for a deceased coal miner and that the right of the
Bank to appear as administrator in this suit has been attacked
on the ground that this national bank has never been granted
a permit by the State of [Redacted] to act as administrator.
You inquire whether it is necessary for the Bank
to obtain permission from the State of [Redacted] to act in
this capacity.

"The right of a national bank to exercise trust powers
is derived from the laws of the United States and not from
the laws of any particular State. In Section 11(k) of the
Federal Reserve Act, Congress has set out at length the cir-
cumstances and conditions under which a national bank may
exercise trust powers. Congress, however, has not prescribed
as one of such conditions that a national bank must obtain
the permission of the State in which it is located before it
exercises fiduciary powers. Under these circumstances I am
clearly of the opinion that it is not necessary for a national
bank which desires to exercise trust powers in accordance with
the provisions of Section 11(k) of the Federal Reserve Act to
obtain the permission of the State in which it is located before it
exercises these powers. The basic reasons which lead
up to this conclusion together with citations of authorities
may be briefly summarized for your information as follows:

"It is well settled by the decisions of the Supreme
Court of the United States that an act of Congress within a
field covered by its constitutional power fully appropriates
that field and is the supreme law of the land (McCulloch v.
Maryland, 4 Wheat. 316; Northern Pacific Railway Company v.
North Dakota, 250 U. S. 135; Smith v. Alabama, 124 U. S. 465;
and Mondu v. N. Y. N. H. and H. R. C. 223 U.S. 1.) It is
also well settled that Congress has complete constitutional
power to establish and regulate national banks (McCulloch v.
Maryland, supra; Osborne v. Bank, 9 Wheat. 733; Davis v.
Elmira Savings Bank, 161 U. S. 275; Farmers Bank v. Dearing,
91 U. S. 29; Easton v. Iowa, 188 U. S. 230; and Van Reed v.
Peoples National Bank, 198 U. S. 554). The Supreme Court of
the United States, after carefully considering its decisions
above cited has further held that the Act of Congress granting
trust powers to national banks (section 11(k) of the Federal Reserve Act) is constitutional and cannot be nullified or controlled by State authority (First National Bank v. Fellows, 244 U. S. 416 and Burns National Bank v. Duncan, 265 U. S. 17.)

"If it is assumed that it is necessary for a national bank to obtain the permission of the State in which it is located before it exercises trust powers pursuant to the provisions of Section 11(k) of the Federal Reserve Act, the State could control or nullify the right of national banks to exercise such powers by refusing to grant its permission or by granting its permission upon such conditions as it saw fit. The Supreme Court of the United States, however, in the two cases last above cited has held that a State has no authority to do this.

"I wish to call your special attention to the case of Burns National Bank v. Duncan, which is cited above. The Burns National Bank of St. Joseph, Missouri, which had received permission from the Board to exercise trust powers, was appointed executor by a citizen of Missouri and after the death of the testator, the bank applied to the proper probate court for letters testamentary, but was denied appointment on the ground that by the laws of Missouri national banks were not authorized to act as executors. This ruling of the lower court was sustained by the Supreme Court of Missouri, but upon appeal to the Supreme Court of the United States, the State courts were reversed. The Supreme Court of the United States held that the Burns National Bank was entitled to act as executor, regardless of whether it was so authorized to act by the State of Missouri. In so holding, the Supreme Court said:

"* * * whatever may be the State law, national banks having the permit of the Federal Reserve Board may act as executors if trust companies competing with them have that power"

and

"* * * the State can not lay hold of its general control of administration to deprive national banks of their power to compete that Congress is authorized to sustain."

"In view of this decision of the Supreme Court, it is clear that a national bank desiring to exercise trust powers in accordance with the provisions of Section 11(k) of the Federal Reserve Act need not obtain the permission of the State in which it is located before exercising such powers.

"The right of national banks to exercise trust powers has also been considered by the Supreme Court of
"The United States and courts of the various States in a number of other cases. In the decisions of these cases, the right of a national bank to exercise trust powers has been discussed by the courts at considerable length and I believe that the following cases would be of particular interest and assistance to you:

First Nat. Bank v. Fellows, 244 U. S. 416;
In Re Stanchfield's Estate (Wis.) 178 N.W. 310;
In Re Mollineaux (N. Y.) 179 N. Y. S. 9;
Hamilton et al. v. State (Conn.) 110 Atl. 54;
Carpenter v. Aquidneck Nat. Bank (R. I.) 125 Atl. 353;
In Re Turner's Estate (Pa.) 120 Atl. 701."

The Board knows of no reason to make any change in its views as heretofore expressed and quoted above, and you are accordingly advised that the Board is of the opinion that a national bank located in the State of Pennsylvania which has obtained permission from the Board to exercise fiduciary powers under the provisions of section 111(C) of the Federal Reserve Act is not required to obtain a permit from the Department of Banking of the State of Pennsylvania before exercising trust powers in that State. Please advise The Union National Bank of Waynesburg of the Board's views in this connection, and, if you deem it advisable, the Board has no objection to a copy of this letter being furnished to the Department of Banking of the State of Pennsylvania for its information. Since a part of the State of Pennsylvania lies in the district of the Federal Reserve Bank of Philadelphia, a copy of this letter is being forwarded to the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia for his information."

Approved.

Telegram dated August 11, 1934, approved by four members of the Board,
to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis,
reading as follows:

"Your wire August 8, 1934, re definition of working capital under section 13b Federal Reserve Act. The question of what is working capital is essentially one of fact which depends for its determination upon a consideration of all the material circumstances of the case. The Board feels that the Federal reserve banks are ordinarily in a better position to determine such questions as they arise in particular cases than is the Federal Reserve Board. The Board suggests therefore that the question whether the proposed advance described in your telegram is one for the purpose of furnishing working capital be determined in the judgment of the Federal reserve bank upon the basis of all the material facts and with the
"assistance of its counsel. If, however, after considering the matter with its counsel, the bank still feels that it should have a formal ruling of the Federal Reserve Board on this question, it should submit to the Board a statement in detail of all the material facts which may have a bearing upon the determination of the question, together with a copy of the opinion of its counsel."

Approved.

Letter dated August 11, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Nesmith Ankeny, for permission to serve at the same time as a director of The First National Bank of Walla Walla, Walla Walla, Washington, and as a director and officer of The Columbia National Bank of Dayton, Dayton, Washington.

Approved.

Letter dated August 13, 1934, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Arthur Sewall, for permission to serve at the same time as a director of the Federal Reserve Bank of Boston, Boston, Massachusetts, and as a director and officer of The Bath National Bank, Bath, Maine.

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, inclosing the Clayton Act permit referred to below, and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to Mr. McKenzie's attendance at directors' meetings:

Mr. Bert L. McKenzie, for permission to serve at the same time as a director and officer of The First National Bank of Otis,
Otis, Colorado, and as a director of The First National Bank of Wray, Wray, Colorado.

Approved.

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

Mr. Frank L. Gardner, for permission to serve at the same time as a director of The Farmers and Manufacturers National Bank of Poughkeepsie, Poughkeepsie, New York, and as a director of the Savings Banks Trust Company, New York, New York.

Mr. W. N. Jasper, for permission to serve at the same time as a director and officer of the First National Bank in Ronceverte, Ronceverte, West Virginia, and as a director and officer of the New River Banking & Trust Company, Thurmond, West Virginia.

Approved.

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

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<tr>
<th>Applications for ADDITIONAL Stock:</th>
<th>Shares</th>
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<tr>
<td>District No. 2.</td>
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<tr>
<td>The Little Falls National Bank,</td>
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<td>Little Falls, New Jersey</td>
<td>75</td>
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<tr>
<td>The Lake Shore National Bank of Dunkirk, Dunkirk, New York</td>
<td>84</td>
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<tr>
<td>District No. 7.</td>
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<tr>
<td>The Commercial National Bank of Charles City, Charles City, Iowa</td>
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<td>District No. 9.</td>
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<tr>
<td>The First National Bank of Menahga, Menahga, Minnesota</td>
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<tr>
<td>The Union National Bank of Rochester, Rochester, Minnesota</td>
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<tr>
<td>The First National Bank of Ellendale, Ellendale, North Dakota</td>
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<td><strong>Total</strong></td>
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<th>Applications for SURRENDER of Stock:</th>
<th>Shares</th>
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<tr>
<td>District No. 1.</td>
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<tr>
<td>The First National Bank of Easthampton, Easthampton, Massachusetts</td>
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</tbody>
</table>
Aplications for SURRENDER of Stock: (Continued) Shares

District No. 7.

District No. 10.
The Merchants National Bank of Nebraska City, Nebraska City, Nebraska 54
The First National Bank of Scribner, Scribner, Nebraska 42
The Denver National Bank, Denver, Colorado 60 156

District No. 11.
The American National Bank of McLean, McLean, Texas. 18 18

Total 249

Approved.

Thereupon the meeting adjourned.

C. Lester Moir. Secretary.

Approved:

[Signature] Governor.