

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, August 16, 1934, at 3:30 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Committee considered and acted upon the following matters:

Telegram dated August 16, 1934, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising that, at a meeting of the board of directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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

"Referring to your letter of June 15 regarding salaries of employees of your bank, it is noted that Mr. W. O. Stromberg, a part-time employee, is performing special work in the Foreign Exchange Function and that it appears impracticable to provide for his position in the bank's personnel classification plan.

"If the position in question is to be made a permanent one, the Board feels that provision should be made therefor in the personnel classification plan. If, however, it is a temporary one, it will not be necessary to provide therefor in the personnel classification plan but where people are taken on for temporary work and no provision is made for the position in the personnel classification plan all the facts in connection therewith should be brought promptly to the attention of the Federal Reserve Board."

Approved.

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

"Receipt is acknowledged of your letter of August 10, 1934, inclosing a copy of a letter dated July 24, 1934, from Mr. D. R. Coker, tendering his resignation as a Class B director of the Fed-

8/16/34

-2-

ederal Reserve Bank of Richmond, which you state was accepted at the meeting of the board of directors of the bank on August 9.

"In connection with the last paragraph of your letter, the Federal Reserve Board interposes no objection to the election of a successor to Mr. Coker being deferred until the time of the annual election of directors of your bank."

Approved.

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

"Receipt is acknowledged of your letter of August 10, 1934, inclosing supplementary statements with regard to indebtedness of officers and employees in the Federal reserve agent's department of the Federal Reserve Bank of Dallas, and reporting particularly on indebtedness incurred by members of your staff since January 1, 1934.

"The Federal Reserve Board appreciates the careful manner in which this information has been prepared, and it is assumed that, in accordance with the Board's letters of April 29, 1933, and August 1, 1934, you have instituted a procedure under which there will be reported to you, when incurred, any new indebtedness (other than current bills for ordinary personal and household expenses) of the members of your department in order that statements with regard thereto may be submitted promptly to the Federal Reserve Board."

Approved.

Letters to the following State banks, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal reserve bank of the district in which the applicant is located:

Applicant Bank

Federal Reserve Bank

"The First State Savings Bank",
Bronson, Michigan.
"Security Bank of Rich Hill",
Rich Hill, Missouri.

Chicago

Kansas City

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

8/16/34

-3-

"Reference is made to your letter of August 10, 1934, transmitting the request of the 'West Side Trust Company', Newark, New Jersey, for an extension of time in which it may comply with the provisions of membership condition numbered 21, which provides that the bank shall, as soon as practicable and in any event within six months from the date of its admission to membership, dispose of any loans which may be secured in whole or in part by its own stock or obtain the substitution of other adequate security for each such loan. It has been noted that the president of the institution has advised that there was little market for bank stocks in Newark and that it is felt that it would not be to the best interests of the bank's customers to sell the stock at this time.

"In view of all the circumstances and your recommendation, the Board grants an extension of time to January 6, 1935, within which the West Side Trust Company may comply with the provisions of membership condition numbered 21, and it is requested that you advise the bank accordingly."

Approved.

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

"It has been noted from the report of examination of the Parker Bank and Trust Company, Cullman, Alabama, made as of February 6, 1934, and the analysis of that report inclosed with your letter of March 31, 1934, that, on December 23, 1933, the bank made an advance of \$2,500 to its vice president, Mr. R. E. Lee. It has been noted further that you have exchanged correspondence with Mr. M. L. Robertson, President of the Parker Bank and Trust Company, with reference to this advance and that Mr. Robert S. Parker, counsel for your bank, has advised you that, after giving the matter careful consideration, he has reached the conclusion that there is no such clear violation of the provisions of section 22(g) of the Federal Reserve Act as would make it incumbent upon you to present the facts to the Department of Justice.

"In the light of the circumstances involved in this case, it is possible that the Department of Justice may reach the same conclusion as Mr. Parker; but, in view of the position of the Board that the determination of the question whether particular acts constitute violations of the criminal provisions of the banking statutes of the United States is a function of the Department of Justice, the matter referred to above has today been reported to the Attorney General of the United States as a possible violation of the provisions of section 22(g) of the Federal Reserve Act. A copy of the letter addressed to the Attorney General, together with inclosures thereto, is inclosed herewith for your further information and you are requested to make a similar report to the local United States District Attorney."

Approved.

8/16/34

-4-

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 11, 1934, with which was transmitted the application of the 'Peoples National Bank in Lakewood', Lakewood, New Jersey, for full fiduciary powers.

"The Board has been advised by the Comptroller of the Currency as follows:

"In view of the difficulties experienced in the re-organization of the old bank and in view of the fact that there does not appear to be any great necessity for the exercise of fiduciary powers in Lakewood, this office is unwilling to make any recommendation in regard to this application until after the receipt of a report of examination. The bank will be due for an examination within a few weeks. The District Chief Examiner will be requested to advise the examiner making the examination to consider especially the question of trust powers. You will be notified of the receipt of the report of examination by this office."

"In view of the foregoing, the Board will take no action on the pending application until such time as an examination of the bank has been completed and the Comptroller's recommendation has been received. When a report of examination is available the Board will be pleased to have the benefit of any further recommendation you may wish to make in the premises."

Approved.

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

"The Federal Reserve Board has given consideration to the application of 'The Citizens National Bank of Petersburg', Petersburg, Virginia, for permission to exercise full fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"In view of the information submitted with the application, the conditionally favorable recommendation of yourself and your executive committee and the adverse recommendation of the Comptroller of the Currency, the Board is unwilling to approve the bank's application for fiduciary powers. You are requested, therefore, to advise The Citizens National Bank of Petersburg, that the Board has denied its application.

"For your information it may be stated that the Comptroller, in recommending that the application be not approved, advised that when the bank was chartered it was understood that at a later date the

8/16/34

-5-

"board of directors would strengthen the management by the selection of a well qualified executive, which does not appear to have been done as yet. Special consideration was given to this fact, as well as to the character of the trust business of the predecessor bank and the lack of experience in fiduciary matters of the proposed trust officers, and to the statement by the president of the bank in his letter to Mr. Fry of January 26, 1934, that his committee 'is of the opinion that they do not want trust powers at this time if that condition is imposed,' it being understood that the condition referred to was similar to the one recommended by your executive committee to the effect that the bank shall agree not to take over from the receiver of the First National Bank and Trust Company of Petersburg any trusts which own any securities, including mortgage notes, sold to said trusts by any of the banks which by merger became the First National Bank and Trust Company of Petersburg."

Approved.

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

"The Federal Reserve Board has given consideration to the application of the 'First National Bank in Council Bluffs', Council Bluffs, Iowa, for permission to exercise fiduciary powers authorized under the provisions of Section 11(k) of the Federal Reserve Act.

"In view of the information submitted with the application and the adverse recommendation of yourself and your executive committee, in which the Comptroller of the Currency concurs, the Board is unwilling to approve the bank's application for fiduciary powers. You are requested, therefore, to advise the First National Bank in Council Bluffs, that the Board has denied its application.

"The Board will be pleased to consider a new application from the subject bank at a later date, in the event that it should desire to engage actively in the building up of a trust business as a part of its banking operations, and its condition and the other features involved are such that you are willing to recommend favorable action thereon."

Approved.

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

"Reference is made to your letter of July 27, 1934, inclosing the application of the 'Security National Bank of Battle Creek', Battle Creek, Michigan, for full fiduciary powers.

8/16/34

-6-

"In accordance with the recommendation of your executive committee, in which the Comptroller of the Currency concurs, the Board will defer action on the pending application until an examination by a national bank examiner has been completed and a report thereof 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. Please advise the applicant bank of the Board's action."

Approved.

Letter to "The United States National Bank of Eugene", Eugene, Oregon, 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 Oregon, 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.

"This letter will be your authority to exercise the fiduciary powers set forth above. A formal certificate covering such authorization will be forwarded to you in due course."

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 Opp', Opp, Alabama, from \$200,000 to \$100,000, pursuant to a plan which provides that the released capital shall be used to eliminate approximately \$64,700 of unsatisfactory assets and to set up a reserve for contingencies in the amount of approximately \$35,300, all as set forth in Mr. Awalt's letter of August 2, 1934."

Approved.

Telegram to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that the Board has given consideration

8/16/34

-7-

to the application of the "Braddock Trust Company", Braddock, Pennsylvania, 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 Braddock", Braddock, Pennsylvania, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to November 1, 1934, to act upon a proposal to place said bank in voluntary liquidation and to take such steps as may be necessary to effect such liquidation."

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

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the application of the "Yakima Holding Corporation", Yakima, Washington, 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 "Yakima First National Bank", Yakima, Washington, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"At any time prior to November 1, 1934, to act upon a proposal to rehabilitate the capital structure of such bank in accordance with the plan which has heretofore been approved by the Comptroller of the Currency and the Federal Reserve Board, which plan includes provisions for the reduction of the bank's common capital stock from \$500,000 to \$300,000, and the issuance and sale to the Reconstruction Finance Corporation of \$200,000 par value preferred stock, and to amend the bank's articles of association and to do all other things necessary to effect such plan."

8/16/34

-8-

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

Approved, together with a 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 'Yakima First National Bank', Yakima, Washington, from \$500,000 to \$300,000, pursuant to a plan which provides that the bank's capital shall be increased by \$200,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate or reduce undesirable assets, all as set forth in Mr. Awalt's letter of July 27, 1934."

Letter to Mr. Case, Chairman of the Federal Reserve Bank of New York, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of New York made as at the close of business March 10, 1934, copies of which were left with you and Governor Harrison.

"On page 30 of the report the examiner states that it is the policy of the Reserve Bank to participate at least once each year with the State banking authorities in examinations of State member banks whose condition is regarded as unsatisfactory and to participate at least once every two years in the examinations of other State member banks. It is further stated that the Reserve Bank's participation in the last examination of some of the large New York City banks consisted of the assignment of only one member of the Reserve Bank's examining staff. The examiner has recommended that the Reserve Bank participate more frequently in the examinations of all State member banks and to a greater extent in the examination of the larger State member banks. The Board concurs in the examiner's recommendation, and feels, also, that a definite program should be formulated whereby each State member bank would be examined at least once each year either independently by your examiners or in cooperation with the State banking authorities. The Board would appreciate a report from you as to your plans in respect to these matters, as well as advice relative to the examiner's recommendation that the files of the Bank Examination Department contain information as to what action has been taken on matters criticized in the reports of examination of State member banks.

8/16/34

-9-

"It is observed from page 9 of the report that the Foreign Department of the bank has handled transactions involving the purchase and sale abroad of gold for the United States Treasury and that it had not been definitely decided at the time of the examination whether request would be made for reimbursement of expenses in connection with the transactions, the management feeling at that time that no such request should be made. The Board would appreciate advice as to the amount of expense incurred by the Reserve Bank in connection with such gold transactions and the reasons of the management for feeling that no request for reimbursement should be made. The Board would also appreciate advice as to the reasons for the non-payment by the Treasury Department of the expense incurred by the Reserve Bank in connection with the operation of the unit established in the Foreign Department to examine and record reports on foreign exchange transactions of all dealers in foreign exchange in the Second Federal Reserve District.

"On page 32 of the report the examiner comments on the fact that during a large part of the time since the arrangement was effected in 1931, a disproportionate amount of the investment through the Bank for International Settlements has been in bills purchased by that bank at a high rate of discount, whereas the original agreement contemplated that the investment would be maintained as nearly as possible in equal proportion between high and low rate bills. It is understood that this matter was to be discussed with Mr. Leon Fraser, President of the Bank for International Settlements, on his next visit to the United States, and the Board will appreciate advice as to the results of such discussion and as to the present distribution of the bills.

"It is also noted from page 115 of the report that, on the date of the examination, the amount of the Federal Reserve Bank with the Bank for International Settlements consisted of \$2,829,131.92 on deposit and \$1,390,814.68 invested in bills. As stated in the Board's letter of March 20, 1933 to Governor Harrison, Federal reserve banks are authorized to establish and maintain accounts in foreign countries only with the consent of the Federal Reserve Board and subject to such regulations as the Board may prescribe; and it is the Board's view that such accounts may be opened and maintained only for the purpose of facilitating the purchase, sale and collection of bills of exchange and the conduct of other open market transactions of the kinds specified in section 14 of the Federal Reserve Act. Moreover, in its telegram of July 30, 1931, the Board approved the proposal to make a demand deposit with the Bank for International Settlements with the understanding that the funds were to be invested, as might be determined and arranged from time to time, in prime commercial two-name paper guaranteed by the Bank for International Settlements. The maintenance of a deposit balance in excess of the amount invested in bills of exchange or other open market purchases is not consistent with the understanding upon which the Board approved the establishment of such account nor with the Board's understanding of the purposes for which Federal reserve

8/16/34

-10-

"banks are authorized to open and maintain such accounts under the provisions of section 14 of the Federal Reserve Act. Notwithstanding the views expressed in Governor Harrison's letter of May 15, 1933, therefore, it is the Board's view that the deposit balance with the Bank for International Settlements should be reduced as soon as practicable to the minimum amount which is actually needed for the purpose of facilitating the purchase, sale and collection of bills of exchange and the conduct of other open market transactions of the kinds specified in section 14 of the Federal Reserve Act. In view of the fact that section 14 (g) of the Federal Reserve Act as amended requires the Federal Reserve Board to exercise special supervision over all relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker, it will be appreciated if you will advise the Board promptly of the action which the Federal Reserve Bank of New York proposes to take in order to conform with the Board's views on this subject.

"On page 89 of the report, under the schedule 'Loans to Individuals, Partnerships, and Corporations', the examiner refers to an advance to Ira R. Crouse, the purpose of which is not in conformity with the provisions of Section 13 of the Federal Reserve Act. The Board would appreciate receiving your views as to the eligibility of the advance and advice as to whether the paper is pledged with you as Agent as security for currency issued.

"It is noted (page 188) that the question of the sufficiency of the certificate with reference to hypothecation agreements from customers for whom banks have made subscription to Treasury issues and whose bonds are pledged as collateral to War Loan deposits, was discussed with officers and counsel of the Reserve Bank who decided that the Reserve Bank would obtain specific instructions from the Treasury Department as to how this matter should be handled. It will be appreciated if you will inform the Board as to the instructions received from the Treasury Department and the procedure now followed by the Reserve Bank in this respect.

"At the time of the examination as of May 27, 1933, the examiner recommended that audits of the Fiscal Agency Department be enlarged so as to provide for a checking of all subscriptions received, and a memorandum as to the suggested general procedure in this connection was left with the Auditing Department. In Governor Harrison's letter of December 7, 1933, forwarded with your letter of the same date, the Board was advised that a complete audit would be made periodically of all subscriptions. On page 189 of the report of examination as of March 10, 1934, the examiner states that the procedure recommended at the time of the previous examination with respect to the audit of Treasury subscriptions had not been followed, and that the Auditing Committee had instructed the Auditing Department to follow such procedure only in certain test issues to be selected by the Auditor. It is noted, however, that as of the date of examination the Auditing Department had not completely audited any Treasury issue, and it will be

8/16/34

-11-

"appreciated if you will advise the Board as to the number of such test issues to be audited during the year and also whether the Department has, since the date of examination, completely audited any issue.

"It has been reported that from January 1, 1934, to March 15, 1934, Deputy Governor Sailer was paid a salary at the rate of \$35,000 per annum, which rate is \$5,000 per annum in excess of the salary approved by the Board, as you were advised in the Board's letter dated January 23, 1934. It is assumed, therefore, that refund has been made to the bank of the amount paid Mr. Sailer in excess of the salary approved by the Board. It is requested, however, that you advise the Board definitely in this respect.

"Attention has been called to certain items carried in Suspense Account - General (debit) on date of examination representing cost of memorial and flowers in connection with the death of former Deputy Governor Gilbert. The Board's views with respect to expenditures for such purposes are outlined in its letter of October 20, 1932, X-7276, and it is assumed that the items referred to above have now been properly eliminated.

"It has been reported that the manager of the Credit Department has been indebted to a member bank at Bronxville, New York, since 1928, and that the loan was classified as slow in recent reports of examination of the bank. The Board's views with respect to the indebtedness of officers and employees of reserve banks are expressed in its letter dated April 29, 1933, X-7425. The Board feels that this is a serious matter which should be brought to the attention of the directors if that has not already been done, and the Board desires to be advised as to their views.

"After the report and this letter have received the consideration of the board of directors of the Federal Reserve Bank, you are requested to advise the Board as to what action has been taken or will be taken on the matters discussed."

Approved.

Letter to Mr. Charles B. Campbell, Assistant Vice-President of the Central Hanover Bank and Trust Company, New York, New York, reading as follows:

"This refers to your letter of July 20, 1934, regarding the payment of interest by the Central Hanover Bank and Trust Company (formerly the Central Union Trust Company) on trust funds deposited in its commercial department.

"It is understood that, on December 31, 1925, the Central Union Trust Company, acting as trustee, entered into an agreement with one of its customers whereby any moneys paid to or deposited with or to the credit of the trustee pursuant to the provisions of the agreement

8/16/34

-12-

"might be deposited by the trustee in its commercial department without liability for interest except such as might be agreed upon from time to time in a supplemental memorandum. Under date of January 4, 1926, the Central Union Trust Company addressed a letter to its customer stating that interest at the rate of $2\frac{1}{2}\%$ per annum would be allowed on all such funds on deposit with it. While not so stated in your letter, it is assumed that the deposits in question are payable on demand. Since, under the trust agreement, the Company may at any time resign its trusteeship, you request to be advised whether the Company must take such action in order to comply with the provisions of the Banking Act of 1933.

"The Federal Reserve Board has hitherto ruled that section 19 of the Federal Reserve Act as amended by the Banking Act of 1933 prohibits a member bank from paying interest on deposits of funds held in a fiduciary capacity which are deposited by the trust department in another department of the bank subject to payment on demand, except in accordance with a contract entered into in good faith before June 16, 1933, and existing on that date, and such a contract must be modified or terminated by the bank as soon as possible consistently with its contractual obligation so as to eliminate any provision for the payment of interest on deposits payable on demand. It is assumed that the funds which are the subject of your inquiry are treated as deposits and are not segregated from the general assets of the bank and otherwise subjected to the safeguards ordinarily imposed upon the custody and use of trust funds. On this assumption, it is the view of the Federal Reserve Board that the Central Hanover Bank and Trust Company may not lawfully pay interest on such deposits which are payable on demand, except in accordance with a contract entered into in good faith before June 16, 1933, and existing on that date; and it became the duty of the Company as soon as possible after June 16, 1933, to terminate or modify its agreement with its customer so as to eliminate any provision for the payment of interest on deposits payable on demand, either by resigning its trusteeship or by other action consistent with its contractual obligation.

"In the circumstances, the Central Hanover Bank and Trust Company may wish to consider the possibility of making such changes in the agreement with its customer as may be necessary to convert the funds deposited in its commercial department into time deposits as defined in Regulation Q. In that event, of course, interest might lawfully be paid upon such deposits in accordance with the provisions of the regulation."

Approved.

Letter to Governor Schaller of the Federal Reserve Bank of Chicago,
reading as follows:

8/16/34

-13-

"The Federal Reserve Board has given consideration to the request made by you while at the Board's offices on August 8, 1934, for a ruling upon the question whether Coal, Incorporated is a business located in the Seventh Federal Reserve District within the meaning of Section 13b of the Federal Reserve Act authorizing a Federal reserve bank to make loans, purchases and commitments to provide working capital for an established industrial or commercial business located in its district. It is understood that the question arises under subsection (a) of section 13b.

"It is also understood that Coal, Incorporated is a resident of Michigan, and has its executive office, books and accounts receivable in the City of Detroit, Michigan, and that it transacts all of its general business, including banking and the sale of its coal, in that city. It is also understood that the corporation owns and operates coal mining properties in Belmont County, Ohio.

"Section III(c) of the Board's Regulation S provides that each application by an established industrial or commercial business to a Federal reserve bank for a loan, purchase or commitment 'must be transmitted to the Federal Reserve bank of the district in which the principal place of business of the applicant is located'.

"It is believed that the question of where an applicant's principal place of business is located within the meaning of section 13b is essentially one of fact which depends for its determination upon a consideration of all the material circumstances of the case. Accordingly, 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.

"However, inasmuch as the question as to the location of Coal, Incorporated has been considered by your bank and its counsel and by counsel for the Federal Reserve Bank of Cleveland, and in view of your request for an opinion upon the question, the Board feels that it may properly state that it finds no reason to differ from the conclusion reached by such counsel that Coal, Incorporated is a business located in the Seventh Federal Reserve District within the meaning of section 13b."

Approved.

Letters to the following applicants for permits under section 32 of the Banking Act of 1933; each letter stating that the relationship covered by the application appears to come within the class which the Board believes section 32 was designed to terminate, and that the Board therefore is unable to find that it would not be incompatible with the public interest, as declared by Congress, to grant the application,

8/16/34

-14-

although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. Charles P. Berdell, Jr., for permission to serve at the same time as a director of the Bank of Suffolk County, Stony Brook, New York, and as a partner of Berdell Brothers, New York, New York.

Mr. Frederick W. Bacon, for permission to serve at the same time as a director of the Tradesmen's National Bank and Trust Company and as a director and member of the Executive Committee of the Securities Corporation General, both of Philadelphia, Pennsylvania.

Approved.

Letters to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, referring to the following applications for permits under section 32 of the Banking Act of 1933, and stating, in each case, that, on the basis of the information submitted in support of the application, the Board concurs in the agent's opinion that the dealer in securities may not be regarded as "engaged primarily in the business of purchasing, selling, or negotiating securities" within the intendment of the provisions of section 32, and that, in the circumstances, a permit covering the applicant's service to the organizations referred to in his application is not necessary and, unless there are other facts which the agent believes should be brought to the attention of the Board, it is suggested that the agent advise the applicant accordingly.

Mr. Fletcher L. Gill, for permission to serve at the same time as an officer of the Bank of The Manhattan Company and as a director of Tobacco and Allied Stocks, Inc., both of New York, New York.

Mr. Joseph S. Maxwell, for permission to serve at the same time as an officer of The New York Trust Company, New York, New York,

8/16/34

-15-

and as a director of the Reliance International Corporation, New York, New York.

Mr. Matthew S. Sloan, for permission to serve at the same time as a director of the Irving Trust Company, New York, New York, and as a director of the Reliance International Corporation, New York, New York.

Approved.

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

"There are inclosed letters with copies thereof to Mr. B. C. Ziegler and to Mr. O. P. Klein regarding their applications for permits under Section 32 of the Banking Act of 1933 to serve the First National Bank of West Bend and B. C. Ziegler and Company, both of West Bend, Indiana, notifying those gentlemen that the Board is unable to find that it would not be incompatible with the public interest, as declared by Congress, to grant their applications.

"The Board has given serious consideration to the arguments which have been advanced in support of the applications as well as to Mr. Young's remarks with reference to the same. However, its attention has not been called to any unusual facts or circumstances pertaining to the banking situation in West Bend which indicate that there would be any disastrous results to the First National Bank of West Bend by reason of the Board's refusal to grant the permits applied for. In the circumstances, the Board does not believe that it may make an exception as to Mr. Ziegler and Mr. Klein and issue permits covering their services to the First National Bank of West Bend and to B. C. Ziegler and Company, since the latter company appears to be engaged primarily in the business of purchasing, selling or negotiating securities within the scope of Section 32.

"Therefore, unless there are other facts which you believe should be directed to the attention of the Board before it takes further action with reference to these applications, it will be appreciated if you will transmit the inclosed letters to the applicants and advise the Board as to the steps which each takes in order to comply with the provisions of the section."

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and

8/16/34

-16-

that, upon the basis of the information before it, concurs in the agent's recommendations that the issuance of the permits applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicants the Board's position in the matter, and to advise the Board promptly as to whether the applicants desire to submit any additional data, and, if not, as to what steps they propose to take in order to comply with the provisions of the Clayton Act.

Mr. W. C. Ervin, for permission to serve at the same time as a director and officer of The First National Bank of Morganton, Morganton, North Carolina, and as a director of the Morganton Industrial Bank, Morganton, North Carolina.

Mr. C. E. Kistler, for permission to serve at the same time as a director and officer of The First National Bank of Morganton, Morganton, North Carolina, and as a director and officer of the Morganton Industrial Bank, Morganton, North Carolina.

Approved.

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

"There are inclosed the original and copies of Clayton Act permits granted to the following directors and/or officers of The First National Bank of Morganton and the Morganton Industrial Bank, both of Morganton, North Carolina:

A. M. Ingold
B. Bristol

J. F. McGimsey
J. H. Giles

"You will be advised in a separate communication of the action taken by the Board with respect to the applications of W. C. Ervin and C. E. Kistler to serve as directors and/or officers of these banks.

"Information obtained from the files of the Comptroller of the Currency indicated that Mr. C. E. Kistler had apparently committed a violation of Section 22(g) of the Federal Reserve Act by borrowing from the national bank on July 22, 1933, his loan being approved by directors of the bank at a meeting held on July 28, 1933 which

8/16/34

-17-

"alleged violation was reported to the United States Attorney at Asheville, North Carolina by the national bank examiner on January 13, 1934.

"The Board feels that, in connection with applications involving reported violations of law, definite information should be obtained regarding the disposition which was made of such cases before permits under the provisions of the Clayton Act are issued. You are requested therefore, to ascertain the status of the charges against Mr. Kistler and the bank, if any; and in the event the cases have been duly considered and closed without prosecution, you are authorized to release the inclosed permits to Messrs. A. M. Ingold, J. F. McGimsey, B. Bristol and J. H. Giles, and to forward copies thereof to the banks involved, at the same time furnishing the Board complete information with respect to the disposition of these matters in order that its records may be complete.

"The Board also desires that when you submit your recommendations as a result of your annual review of these permits you report fully as to whether the bank has further violated any provisions of the law by making, and its directors by approving, loans to its own executive officers."

The Clayton Act permits referred to above are as follows:

Mr. B. Bristol, to serve at the same time as a director of The First National Bank of Morganton, Morganton, North Carolina, and as a director and officer of the Morganton Industrial Bank, Morganton, North Carolina.

Mr. J. H. Giles, to serve at the same time as a director of The First National Bank of Morganton, Morganton, North Carolina, and as a director and officer of the Morganton Industrial Bank, Morganton, North Carolina.

Mr. A. M. Ingold, to serve at the same time as a director and officer of The First National Bank of Morganton, Morganton, North Carolina, and as a director of the Morganton Industrial Bank, Morganton, North Carolina.

Mr. J. F. McGimsey, to serve at the same time as a director of The First National Bank of Morganton, Morganton, North Carolina, and as a director of the Morganton Industrial Bank, Morganton, North Carolina.

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, inclosing the following Clayton Act permit, and stating that it is requested that the agent ascertain whether charges

8/16/34

-18-

have been preferred against Mr. Penn as a result of possible violations of section 22(g) of the Federal Reserve Act, and if so, the present status of such charges; that in the event the cases have been duly considered and closed without prosecution, the agent is authorized to release the permit to the applicant, at the same time furnishing the Board complete information with regard to the disposition of these matters in order that its records may be complete; and that it is also requested that, when he submits his recommendation as a result of his annual review of the permit, the agent report fully as to Mr. Penn's attendance at directors' meetings and ascertain and advise whether he and his family have discontinued the practice of overdrawing their accounts:

Mr. E. S. Penn, for permission to serve at the same time as a director and officer of the First National Bank of Reidsville, Reidsville, North Carolina, and as a director and officer of the Hood System Industrial Bank, Reidsville, North Carolina.

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, concurs in the agent's opinion that the issuance of the permit applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant 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.

8/16/34

-19-

Mr. Lawrence V. Huber, for permission to serve at the same time as a director of The First National Bank of Perryville, Perryville, Missouri, and as a director of The Home Trust Company, Perryville, Missouri.

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, inclosing the following Clayton Act permits, and stating that if the agent finds to his satisfaction that the provisions of section 32 of the Banking Act of 1933 are not applicable to the applicants, he is authorized to transmit the Clayton Act permits to them:

Mr. W. C. Beaty, for permission to serve at the same time as a director of The First National Bank of Ordway, Ordway, Colorado, and as a director and officer of J. N. Beaty & Company, Bankers, Manzanola, Colorado.

Mr. R. R. Beaty, for permission to serve at the same time as a director of The First National Bank of Ordway, Ordway, Colorado, and as a director and officer of J. N. Beaty & Company, Bankers, Manzanola, Colorado.

Mr. John W. Beaty, for permission to serve at the same time as a director and officer of The First National Bank of Ordway, Ordway, Colorado, and as a director of J. N. Beaty & Company, Bankers, Manzanola, Colorado.

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, inclosing the following Clayton Act permit, and stating that it is requested that the agent ascertain the status of charges against Mr. Moffet as a result of a possible violation of section 22 (g) of the Federal Reserve Act; that in the event the case has been duly considered and closed without prosecution, the agent is authorized to release the permit to the applicant, at the same time

8/16/34

-20-

furnishing the Board complete information with regard to the disposition of the matter in order that its records may be complete; and that it is also requested that, when he submits his recommendations as a result of his annual review of the permit the agent report fully as to whether Mr. Moffet has further violated any provisions of the law.

Mr. A. H. Moffet, for permission to serve at the same time as a director and officer of the First National Bank in Larned, Larned, Kansas, as a director of the Hanston State Bank, Hanston, Kansas, and as a director and officer of the Belpre State Bank, Belpre, Kansas.

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, inclosing the following Clayton Act permit, and requesting that the agent withhold delivery of the permit until he is satisfied that The Mercantile Loan Corporation, Norfolk, Nebraska, of which Mr. Montgomery is serving as director and member of the executive committee, does not make loans secured by stock or bond collateral, or that Mr. Montgomery is complying with the provisions of section 8A of the Clayton Act, in which event the agent is authorized to transmit the permit to the applicant. The letter also requested that, when he submits his recommendations, as a result of his annual review of the permit, the agent report fully as to Mr. Montgomery's attendance at directors' meetings during 1934:

Mr. R. E. Montgomery, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Chamberlain, Chamberlain, South Dakota, and as a director and officer of The Security State Bank, Norfolk, Nebraska.

Approved.

8/16/34

-21-

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

Mr. Jan van Herwerden, for permission to serve at the same time as a director and officer of The Rahway National Bank, Rahway, New Jersey, and as a director and officer of the Rahway Trust Company, Rahway, New Jersey.

Mr. Fred C. Hyer, for permission to serve at the same time as a director and officer of The Rahway National Bank, Rahway, New Jersey, and as a director of the Rahway Trust Company, Rahway, New Jersey.

Mr. Henry L. Lamphear, for permission to serve at the same time as a director of The Rahway National Bank, Rahway, New Jersey, and as a director and officer of the Rahway Trust Company, Rahway, New Jersey.

Mr. Eugene Miller, for permission to serve at the same time as a director of The Rahway National Bank, Rahway, New Jersey, and as an officer of the Empire Trust Company, New York, New York.

Mr. Clinton L. A. Schmoyer, for permission to serve at the same time as a director of The Fogelsville National Bank, Fogelsville, Pennsylvania, as a director of The Kutztown National Bank, Kutztown, Pennsylvania, and as a director of the Macungie Bank, Macungie, Pennsylvania.

Mr. J. O. Busick, for permission to serve at the same time as a director of the First National Bank of Reidsville, Reidsville, North Carolina, as a director and officer of The Bank of Madison, Madison, North Carolina, and as a director of The Bank of Mayodan, Mayodan, North Carolina.

Mr. M. O'Farrell, for permission to serve at the same time as a director of The Citizens National Bank of Covington, Covington, Virginia, and as a director of The Bath County National Bank of Hot Springs, Hot Springs, Virginia.

Mr. W. S. Stuart, for permission to serve at the same time as a director and officer of the West Union Bank, West Union, West Virginia, and as a director of The Union National Bank of Clarksburg, Clarksburg, West Virginia.

Mr. W. L. Kelly, for permission to serve at the same time as a director and officer of The First National Bank of Pikesville, Pikesville, Tennessee, and as a director of the Sequatchie County Bank, Dunlap, Tennessee.

8/16/34

Mr. J. G. Byam, for permission to serve at the same time as an officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director and officer of the Minnehaha National Bank of Minneapolis, Minneapolis, Minnesota.

Mr. J. S. Pomeroy, for permission to serve at the same time as a director and officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director and officer of the Bloomington-Lake National Bank of Minneapolis, Minneapolis, Minnesota.

Mr. E. C. Hellickson, for permission to serve at the same time as a director of The First National Bank of Harmony, Harmony, Minnesota, and as a director of the Caledonia State Bank, Caledonia, Minnesota.

Mr. A. M. Emigh, for permission to serve at the same time as a director of The First National Bank of Durango, Durango, Colorado, and as a director and officer of the Ignacio State Bank, Ignacio, Colorado.

Mr. W. Guy Draper, for permission to serve at the same time as a director and officer of The First National Bank of McGregor, McGregor, Texas, and as a director and officer of The First National Bank of Oglesby, Oglesby, Texas.

Mr. Earl Eagan, for permission to serve at the same time as a director and officer of the Citizens National Bank in Waxahachie, Waxahachie, Texas, as a director of The First National Bank of Italy, Italy, Texas, and as a director of The First National Bank of Milford, Milford, Texas.

Approved.

There was then presented a memorandum dated June 28, 1934, from the Committee on Salaries and Expenditures, referring to a letter dated June 8, 1934, from Mr. Newton, Chairman of the board of directors of the Federal Reserve Bank of Atlanta, inclosing copies of resolutions adopted by the board of directors of the bank at its meeting on June 8, 1934, appointing Mr. Eugene R. Black as Governor of the bank, and, subject to the approval of the Federal Reserve Board, fixing his salary at the rate of \$35,000 per annum, both to be effective immediately following the effec-

8/16/34

-23-

tive date of his resignation as Governor of the Federal Reserve Board. The memorandum recommended approval by the Board of the salary as fixed by the board of directors of the Atlanta bank. The memorandum was signed by seven members of the Board indicating their approval of the recommendation.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u> The National Bank of Hamburg, Hamburg, Pennsylvania	113	113
<u>District No. 4.</u> The Goshen National Bank of Bethesda, Bethesda, Ohio	36	36
<u>District No. 10.</u> Lamar National Bank, Lamar, Colorado	36	36
	<u>Total</u>	<u>185</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 5.</u> The First Clark National Bank of Northfork, Northfork, West Virginia	21	21
<u>District No. 7.</u> The First National Bank of Dubuque, Dubuque, Iowa	60	60
<u>District No. 9.</u> The First National Bank of Plainview, Plainview, Minnesota	4	4
	<u>Total</u>	<u>85</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u> The First National Bank of Dillonvale, Dillonvale, Ohio	42	
The Citizens National Bank of West Alexander, West Alexander, Pennsylvania	45	

8/16/34

-24-

<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 4. (Continued)</u>		
Gibsonburg Banking Company, Gibsonburg, Ohio	<u>48</u>	135
<u>District No. 6.</u>		
The First National Bank of Millen, Millen, Georgia	<u>18</u>	18
	<u>Total</u>	<u>153</u>

Approved.

Thereupon the meeting adjourned.

Walter Mowbray
Secretary.

Approved:

J. P. Thomas
Chairman, Executive Committee.