

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, August 25, 1934, at 11 a. m.

PRESENT: Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. James

Mr. Morrill, Secretary
Mr. Martin, Assistant to the Governor
Mr. Paulger, Chief of the Division of Examinations

The Committee considered and acted upon the following matters:

Memorandum dated August 20, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated August 14, 1934, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, which requested approval of a change in the personnel classification plan of the bank to provide for the new position of "assistant to statistician" in the Federal reserve agent's department. The memorandum stated that the committee had reviewed the proposed change and recommended that it be approved.

Approved.

Memorandum dated August 20, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated August 11, 1934, from Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago, which requested approval of a change in the personnel classification plan of the bank to provide for a reduction in salary range for the position of "information clerk" in the personnel department. The memorandum stated that the committee had reviewed the proposed

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change and recommended that it be approved.

Approved.

Letter to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Federal Reserve Board approves the changes in the personnel classification plan of the bank recommended in your letter of June 12 and Mr. Yaeger's letters of June 23 and July 25 as reflected in the revised pages of Form A inclosed therewith with the exception of the salary of the manager of the Trust Department and of certain employees in the Auditing Department regarding which further information is desired.

"The salary for the position of 'Examiner (Trust) and Manager of Trust Examination Division', an appraised position, is shown on Form A as \$6,000 whereas according to our records the salary for this position, as approved by the Federal Reserve Board, is \$5,000. It is noted that the description of work and qualifications required are the same for 4-8 audit clerks with a minimum salary of \$1,200 as for 4-2 audit clerks with a maximum salary of \$3,300. The Board feels that the qualifications and character of work required of a \$1,200 clerk are so different from those required of a \$3,300 clerk that the description of work and qualifications required, as shown in Form A, should not be the same for both classes. It will, therefore, be appreciated if you will furnish the Board with a revised page 34 in which the proper differentiation is made in the description of work and qualifications required for senior and junior audit clerks.

"It is also noted that your revised form provides for a senior supervisor in the Auditing Department, classification symbol 4-3, with a salary range from \$2700 to \$3000 and for an audit clerk, classification symbol 4-2, with a salary range of \$3000 to \$3300 or in excess of that for the senior supervisor and that you have a salary range of \$2700 to \$3000 for a class 4-3 Audit Clerk which salary range is the same as for the 4-3 Senior Supervisor. As normally the salary ranges for supervisors are in excess of those for clerks in the same department, your advice in this regard will be appreciated.

"The arrangement of the positions to be shown on Form A pages 35 to 38 inclusive, as outlined in Mr. Yaeger's letter of July 25, is in accordance with the Board's request and it will be appreciated if you will furnish the Board with revised Form A pages at your early convenience."

Approved.

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

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"Reference is made to your letter of July 24, 1934, inclosing statements regarding outside business affiliations of thirteen new employees of the Federal Reserve Bank of Minneapolis, which statements were forwarded in accordance with the Board's letter of April 29, 1933, (X-7425).

"It has been noted from the statements submitted that Archie C. Vance and Walter M. Russell are each listed as being examiners in the industrial loan department of the bank and that Stanley G. Harwood is listed as being an examiner but with no designation as to the department to which he has been assigned. It is assumed, however, that he is also employed in the industrial loan department. In this connection the Board prefers that the title of examiner or assistant examiner be confined to individuals who are actually engaged in work in connection with the bank examination department and who have been approved as such by the Board. It is understood that none of three employees referred to above perform any of the functions of examiners, and it is requested, therefore, that the titles of these employees be changed so as to eliminate the word 'Examiner'.

"As you know, no provision is made in the personnel classification plan of the Federal Reserve Bank of Minneapolis for employees in the industrial loan department, and it is assumed that you will submit to the Board for approval at an early date form A pages of your personnel classification plan covering such changes in the plan as are thought necessary in connection with work conducted by your bank under section 13b of the Federal Reserve Act."

Approved.

Letter to Mr. Burt, Manager of the Accounting Department of the Federal Reserve Bank of New York, reading as follows:

"There have been received in this office vouchers covering the salary and expenses during the period from June 18 to July 14, 1934, of Mr. J. J. Hartley, who was assigned temporarily to duty in the Board's offices in Washington, and for the period from July 16 to July 31, 1934, of Mr. Gustav Osterhus, who succeeded Mr. Hartley.

"It is noted that you have included in these vouchers an amount to cover the contribution by your bank on behalf of these employees to the retirement system for the periods covered by the vouchers. Other Federal reserve banks, which assigned employees to work in the Board's offices temporarily, have not included this item in the vouchers submitted by them, and as it is assumed that you will desire to submit vouchers on the same basis covering the salaries and expenses of the employees assigned by your bank, the vouchers are returned herewith for correction."

Approved.

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Letter to Mr. Dunlop, Controller of the Federal Reserve Bank of Minneapolis, reading as follows:

"There have been received in this office two vouchers covering salary and expenses during the period June 16 to July 31, 1934, of Mr. Otis R. Preston, who was assigned temporarily to duty in the Board's offices in Washington.

"It is noted that you have included in these vouchers amounts covering the contribution by your bank on behalf of Mr. Preston to the retirement system and the cost of workmen's compensation insurance during the periods covered by the vouchers. Other Federal reserve banks, which assigned employees to work in the Board's offices temporarily, have not included this item in the vouchers submitted by them, and as it is assumed that you will desire to submit vouchers on the same basis covering the salary and expenses of Mr. Preston, the vouchers are returned herewith for correction."

Approved.

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

"Reference is made to your letter of August 13, 1934, transmitting the request of the Depositors Trust Company, Augusta, Maine, for permission to invest approximately \$225,000 in the purchase from the Augusta Trust Company, in liquidation, of the buildings now occupied under lease by the main office and eight branches of the Depositors Trust Company.

"In view of your recommendation and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to such investment in an amount not to exceed \$225,000, and it is requested that you advise the bank accordingly.

"It is suggested that you acquaint the bank with the Board's views, which are known to your office, with respect to making adequate provision for depreciation in the banking quarters and furniture and fixtures which it proposes to acquire."

Approved.

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

"In accordance with your recommendation, the Federal Reserve

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"Board approves the proposed recapitalization of the 'Manufacturers Bank & Trust Company of St. Louis', St. Louis, Missouri, in accordance with the plan submitted through you, which provides for the retirement of its present outstanding preferred stock in amount of \$1,215,000, the increase of its common capital and surplus through the sale of new common stock at a premium to the minimum amounts of \$600,000 and \$400,000 respectively, or to the maximum amounts of \$700,000 and \$466,667.67 respectively, and provides also for the purchase of such new common stock by the present preferred stockholders out of a portion of the proceeds of the released capital and for the return to such stockholders of the portion of the released capital which is not used in the purchase of new common capital stock, all as set forth in your letter of August 9, 1934, and the accompanying files relative to the recapitalization plan.

"The Board, in giving its approval, does so, of course, with the understanding that the recapitalization plan has the approval of the Commissioner of Finance of the State of Missouri, that your counsel has considered the case and is satisfied as to its legal aspects, and that its consummation will be effected substantially as outlined in the data submitted to the Board and approved by you. In this connection, the Board would like to be furnished with a copy of any amendments to the bank's charter which may be adopted for the purpose of effecting the proposed plan of recapitalization."

Approved.

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

"Re letter August 16, 1934. In accordance with your recommendation, the Board extends until September 25, 1934 the time within which 'The Phoenix Savings Bank & Trust Company', Phoenix, Arizona, may accomplish admission to membership. Condition numbered 21 as interpreted by the Board's telegram of August 9, 1934 would not permit the proposed insurance company to occupy space in quarters occupied by any department of the bank. The condition, however, would not preclude the proposed company from occupying separate offices located in the bank building if such offices are available. So long as State bank does not make any loans on stock or bond collateral, Section 8A of Clayton Act would not apply to interlocking directors, officers, or employees between Phoenix National Bank and The Phoenix Savings Bank and Trust Company. So long as State bank does a strictly savings bank business and does not conduct any commercial banking business, Section 8 of Clayton Act would not apply to such interlocking relationships. However, if State bank should receive demand deposits, make any loans for commercial purposes, or engage in any

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"other transactions indicating that it may be engaged in commercial banking business, Board would desire full information, together with your views, before ruling further on the question whether bank is engaged in commercial banking business within meaning of Section 8. Should either section of Clayton Act be applicable to relationships between the two banks, applications for permits will be considered by Board in light of circumstances existing at time applications are made. Any violations of Section 18 of the Banking Act of 1933 are matters for consideration of the Comptroller of the Currency."

Approved.

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

"Reference your telegram August 23, 1934, relative ANCIGAR telegram August 4, 1934 authorizing issuance of permit to 'Continental Illinois National Bank and Trust Company of Chicago' to vote shares owned or controlled of 'Continental National Bank and Trust Company of Chicago'. If there is net appreciation in the entire securities investment account, the Board will consider that the conditions in Section 'C' - First (b) and (c) of the Board's ANCIGAR telegram of August 4, 1934 have been met."

Approved.

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

"This refers to your letter dated August 13, 1934, with regard to the furnishing of copies of voting permits to banks controlled by holding company affiliates.

"It has been noted that the Chief National Bank Examiner for your district has called to your attention the fact that his examiners, in examining national banks which are controlled by holding company affiliates, find no evidence of voting permits having been issued, and that it has been suggested that the banks involved in such cases be furnished with copies of such voting permits.

"You ask to be advised whether there are any objections to your furnishing such banks with copies of voting permits issued to their respective holding company affiliates. In the opinion of the Federal Reserve Board there is no objection to the issuance to the banks controlled by a holding company affiliate of copies of the voting permit issued to such holding company affiliate. It is suggested, however, that the copies furnished should be clearly designated as such in order to avoid confusing

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"them with the original permits."

Approved.

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

"This refers to your letter dated July 27, 1934, with regard to the question whether the trustees under a voting trust agreement covering 517 $\frac{1}{2}$ shares of the stock of the Bank of San Rafael, San Rafael, California, would constitute a holding company affiliate of the Bank of San Rafael, within the meaning of Section 2(c) of the Banking Act of 1933, if such bank were admitted to membership in the Federal Reserve System.

"The trust agreement dated April 30, 1927, contains, among others, the following recitals:

"WHEREAS, a large proportion of the stock of the BANK OF SAN RAFAEL is owned by the undersigned holders who severally desire that a Voting Trust Agreement be entered into; and

"WHEREAS, it is highly desirable for the best interest of the BANK OF SAN RAFAEL that there should be unity of action and cooperation by the stockholders in the management of all the affairs of the said Bank; and

"WHEREAS, it is feared that control of the BANK OF SAN RAFAEL might fall into the hands of persons whose interest may be antagonistic to the welfare of the said Bank and of the remaining stockholders; and

"WHEREAS, a large number of the stockholders, representing a majority of the stock of the said Bank; are convinced that the mutual interest of the stockholders as well as the interest of the Bank itself will be best served by a continuation of the management by the officers who have so successfully increased its business and profits over a period of the last seventeen years; * * *

"In furtherance of the above mentioned objects, the trust agreement provides that it shall be construed for the life of the agreement as an irrevocable proxy and power of attorney as well as a transfer in trust of the stock of the bank. The agreement also provides that the voting trustees shall vote the shares held by them, in elections of directors and in deciding all other questions, as a majority of such trustees shall determine. The trustees are authorized to execute proxies and powers of attorney, and to authorize the persons named therein to vote the shares of stock held in trust.

"It also appears that the trustees are required to issue to each of the depositing stockholders voting trust certificates evidencing the beneficial interest of the stockholder in the shares held in trust. The agreement provides that the holder of such voting trust certificate is entitled to the beneficial

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"right and interest provided in the agreement, including all dividends declared and paid on the stock represented by the certificate. Stock transferred to the trustees cannot be conveyed by them, and can only be conveyed by the depositing stockholders subject to the terms of the trust agreement. The agreement provides that it shall remain in force until January 15, 1935, but that it may be sooner terminated upon the agreement of four fifths of the trustees and more than three fourths of the depositing stockholders.

"In view of the above circumstances, it is the opinion of the Board that the trust under consideration is not a 'corporation, business trust, association, or other similar organization' within the meaning of Section 2 (c) of the Banking Act of 1933, defining a 'holding company affiliate'.

"Careful consideration has been given to the opinion of Mr. Agnew dated July 26, 1934, to the effect that the trust constitutes a holding company affiliate. It has been noted that Mr. Agnew is of the opinion that the Bank of San Rafael trust agreement is not governed by the principles controlling the decision with reference to the trust agreement covering the stock of the First National Bank in San Leandro, San Leandro, California, because of the fact that the voting trustees under the San Rafael trust agreement are given the power to vote the stock in accordance with the decision of a majority of their number, whereas in the San Leandro trust agreement, the voting trustees were required to vote the stock in accordance with the directions of the beneficiaries. It appears, however, that this additional power does not alter the fundamental nature of the trust. In each case, the trust was created for the purpose of retaining control of the bank, and in neither case was the trust authorized to engage in business activity. The Board is therefore of the opinion that the principles governing the decision in the case of the First National Bank in San Leandro are controlling in the present case. In this connection, reference is made to the Board's letter dated January 6, 1934 (X-7751), and to the ruling published at page 122 of the Federal Reserve Bulletin for February, 1934.

"Accordingly, it will not be necessary for the trustees under the voting trust agreement of April 30, 1927, to file an application for a voting permit under the provisions of Section 5144 of the Revised Statutes, as amended, even though the Bank of San Rafael be admitted to membership in the Federal Reserve System."

Approved.

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

"This refers to your letter of July 23, 1934, advising that

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"on July 2, 1934, you wrote a letter to each of certain named unincorporated banks in the State of Texas calling its attention to the provisions of section 21 of the Banking Act of 1933, and that you have not received replies from any of them. You state that you are advising the Board of the status of these banks as shown by your records in order that the Board may decide whether the facts should be reported to the Department of Justice and that you are deferring making a report to the local United States Attorneys until you receive the Board's instructions.

"It may be said in general that in a case in which the facts in the possession of a Federal Reserve Agent show that a person or organization is acting in violation of the provisions of section 21 of the Banking Act of 1933 he should make a report of the matter to the local United States Attorney and to the Federal Reserve Board for transmission to the Department of Justice, but unless the facts within his knowledge are such as to make it appear that all the essential elements of a violation of the statute are present it is not believed that the matter is one which should be reported. As stated in the Board's letter of June 26, 1934 (X-7936), the Board does not feel that it is necessary under the law that Federal reserve banks or Federal reserve agents make an investigation in order to determine what persons or organizations in their respective districts may be subject to the provisions of section 21 of the Banking Act of 1933, and the statute does not impose any responsibility upon a Federal reserve bank or a Federal reserve agent to ascertain whether any such person or organization is complying with the requirements of that section. However, if the fact that a person, firm, corporation, association, business trust or other similar organization, not subject to examination and regulation under Federal law, has engaged in the business of receiving deposits since June 16, 1934, is disclosed by the records of the Federal reserve bank or in the performance of your duties and such person or organization has not submitted or offered to submit to examination either by the Comptroller of the Currency or by the Federal reserve bank, it will be appropriate for you to ascertain, if practicable, from the State banking authorities whether such person or organization is subject to examination and regulation under State law. If after obtaining these facts it appears that a violation of the law has been committed by any such person or organization, the matter should be made the subject of a report to the local United States Attorney and to the Federal Reserve Board for transmission to the Department of Justice in accordance with the usual procedure. Likewise, if it is disclosed from the records of the Federal reserve bank or in the performance of your duties, that since June 16, 1934, a person or organization has engaged in the business of receiving deposits and also that at the same time such person or organization has engaged in the business of issuing, underwriting, selling or distributing securities, the matter should be made the subject of a report to the United States

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"Attorney and to the Board for transmission to the Department of Justice.

"In view of the statement in your letter of July 23rd that it is possible that some of the banks named therein may have discontinued receiving deposits prior to June 16, 1934, or for other reasons are exempt from the provisions of the law, the Federal Reserve Board is not transmitting copies of your letter to the Department of Justice and it is suggested that each of these cases be treated in accordance with the views above expressed."

Approved.

Letter to Mr. D. C. Collier, President of the Regal Textile Corporation, Barnesville, Georgia, reading as follows:

"This refers to your letter of August 13, 1934, with further regard to your letter of August 6 and the Federal Reserve Board's reply of August 10, as to whether the Regal Textile Corporation, Barnesville, Georgia, is an established business within the meaning of section 13b of the Federal Reserve Act. As stated in its letter of August 10, the Board has communicated with the Federal Reserve Bank of Atlanta with regard to this matter.

"As indicated in the statement printed as a preface to the Board's regulation on this subject, a copy of which is inclosed, the Federal Reserve Board has left the broad powers granted by Congress to the Federal reserve banks in section 13b wholly unimpaired and has prescribed no restrictions beyond those in the law itself; and, accordingly, it has not attempted to define the term 'established industrial or commercial business'. However, a Federal reserve bank must observe the requirements made by the statute in granting accommodations under this law. Congress has seen fit to require that a business to which an advance may be made under the law be an established business and, therefore, a Federal reserve bank may not lawfully make such an advance to a business which is not an established one.

"While the Federal Reserve Board feels that Federal reserve banks are ordinarily in a better position than is the Board to determine questions of this kind, it has, in view of your request, considered the question whether the Regal Textile Corporation on the basis of the facts as the Board understands them, can be considered to be 'established' within the meaning of section 13b of the Federal Reserve Act. In view of the fact that the cotton mill now owned by the Regal Textile Corporation has not been operated for a period of several years and has never been operated by such Corporation, and in view of the other facts of the case, the Board finds no reason to differ with the conclusion of counsel for the Federal Reserve Bank of Atlanta that such

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"business may not be regarded as an established business.

"It is the considered policy of the Federal reserve banks to approach questions of this kind arising under section 13b of the Federal Reserve Act with a liberal viewpoint and the Federal Reserve Board has also given this question its sympathetic consideration; but, as indicated, it is unable to reach the conclusion in the circumstances of the case that the business of the Corporation is an 'established' one. The question is not one with respect to which either the Federal Reserve Board or the Federal reserve banks have authority to exercise a discretion and, in view of the requirement which Congress has prescribed in the law, I am sure you will appreciate the position which it has been necessary for the reserve bank to take in the matter."

Approved.

Letter to Mr. C. E. Spencer, Vice President of The First National Bank of Boston, Massachusetts, reading as follows:

"This refers to your letter of August 9, 1934, with inclosures, in which you review the facts as to the investment by the First National Bank of Boston in 1918 in the stock of the First National Corporation (now First of Boston International Corporation) and the bank's relinquishment of the direct ownership of such stock in 1929; and you advise that the stock of the corporation has now been again transferred to the bank as a step in the liquidation of The First of Boston Corporation of Massachusetts in accordance with the provisions of the Banking Act of 1933. You further advise that the First National Bank of Boston proposes to retain under the provisions of section 25 of the Federal Reserve Act the stock of the First of Boston International Corporation as a corporation engaged principally in foreign and international banking.

"The permission of the Federal Reserve Board was not obtained for the acquisition by the First National Bank of Boston of the stock of the First of Boston International Corporation. Under the provisions of section 25 of the Federal Reserve Act the permission of the Federal Reserve Board is required before a national bank may lawfully invest in the stock of a corporation principally engaged in international or foreign banking, and the holding by your bank of the stock of such a corporation without such permission is therefore not in accordance with the law. Section 25 of the Federal Reserve Act also provides that before any national bank may purchase stock in a corporation principally engaged in international or foreign banking the corporation shall enter into an agreement or undertaking with the Federal Reserve Board to restrict its operations or conduct its business in such manner or under such limitations and restrictions as the Federal Reserve Board may prescribe.

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"In order that the First National Bank of Boston may lawfully hold the stock of First of Boston International Corporation, therefore, it is suggested that the bank make application to the Federal Reserve Board pursuant to the law on the form inclosed herewith or substantially in accord therewith, for the Board's permission to invest in the stock of the corporation and that there be obtained from the corporation an agreement or statement that it will submit to examination by the Board pending consideration of such application and will pay the costs of such examination, together with evidence of authority granted by the board of directors of the corporation for the making of such agreement or statement. The application and other papers should be forwarded to the Federal Reserve Agent at the Federal Reserve Bank of Boston. If the Federal Reserve Board, upon consideration of such application from the bank, should decide to approve it, the Board will furnish to the First of Boston International Corporation a form of agreement which the corporation must execute in accordance with the law before the permission of the Board will be granted."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, except Boston and Philadelphia, reading as follows:

"It has come to the attention of the Federal Reserve Board that the representatives of the Federal Reserve Agents at certain of the branches of the Federal reserve banks have been given blanket authority to issue Federal reserve notes under certain conditions without obtaining specific authority in each case from the office of the Federal Reserve Agent.

"In order to insure compliance with the requirement of the statute that the collateral security for Federal reserve notes shall not be less than the amount of such notes, the Federal Reserve Board is inclined to believe that no Federal reserve notes should be issued by Assistant Federal Reserve Agents or Acting Assistant Federal Reserve Agents at branch Federal reserve banks except upon specific authority or with the specific consent of the Federal Reserve Agent or an Assistant Federal Reserve Agent at the head office of the bank in each case. However, before issuing instructions to this effect, the Federal Reserve Board will be glad to receive your comments as to the feasibility of such a requirement.

"The Board is also informed that Acting Assistant Federal Reserve Agents at the branches of the Federal reserve banks are regarded as employees of the respective banks. In this connection the Board desires to call attention to the requirement of section 16 of the Federal Reserve Act that all Federal reserve notes and all gold certificates and lawful money issued to or

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"deposited with any Federal Reserve Agent shall be held by such Agent in the joint custody of himself and the Federal reserve bank to which he is accredited. In view of this provision of law the Board feels that Acting Assistant Federal Reserve Agents participating in such joint custody should be responsible to the Agent and independent of the Federal reserve bank in so far as is consistent with the practical situation. They should be on the payroll of the Federal Reserve Agent and solely responsible to him for the proper performance of their duties. During such periods as they are not engaged with their duties as Acting Assistant Federal Reserve Agents, however, they may be detailed by the Federal Reserve Agent to perform such functions for the bank as the Federal Reserve Agent may consider advisable. It is suggested that you make such changes in your arrangements with respect to Acting Assistant Federal Reserve Agents at branches as may be necessary to conform to the views expressed herein with regard to this matter."

Approved.

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

"Prior to October 1, 1934, the Board will issue regulations under the Securities Exchange Act of 1934 concerning the extension and maintenance of credit by brokers, dealers, and members of securities exchanges. It is expected that the publication of this regulation may give rise to numerous inquiries and that if all such inquiries are referred to the Board replies will be unavoidably delayed. In order to eliminate as much delay as possible, it is hoped that most of the questions can be disposed of at the Federal reserve banks and with this in mind it is suggested that, if you have not already done so, you designate at your bank some member or members of your staff, including if possible someone in counsel's office, to become familiar with the Securities Exchange Act of 1934, the Board's regulations thereunder and the business practices of members, brokers, and dealers to which such regulations relate. This procedure should help to minimize the number of questions upon which it will be necessary for the Board to issue formal rulings."

Approved.

Memorandum dated August 21, 1934, from Mr. Vest, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin a statement in the form attached to the memorandum in regard to the ruling recently made by the Federal

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Reserve Board as to the renewal of a certificate of deposit prior to the date of its maturity.

Approved.

Letter to Mr. Burgess, Secretary of the Federal Open Market Committee, reading as follows:

"Mr. Thomas has asked me to write you in response to your letter of August 17 in regard to the tentative draft of the minutes of the meeting of the executive committee of the Federal Open Market Committee held on August 8, 1934.

"On page 2 the statement is made that 'it was agreed that in order to conduct such studies it would be desirable to place the responsibility on a small group of workers who would be detached from their regular duties for that purpose'. Dr. Goldenweiser feels and the Board agrees that in the case of Dr. Goldenweiser it would not be feasible to detach him entirely from his regular duties as director of the Board's division of research and statistics but the Board is glad to have him participate in the proposed work and it is believed that he will be able to give it adequate attention without being detached from his other responsibilities. In this connection, it is understood that Dr. John Williams is in Brazil and that Mr. Walter Stewart will not be available for this work. Therefore, it is assumed that at the meeting of the special committee on a legislative program, which is to take place in Washington on August 30, further consideration will be given to the subject of the personnel of the group of workers who will function under the direction of the committee and to the necessary details of their procedure.

"At the end of the minutes on page 3 the statement is made that Governor Harrison suggested that consideration should be given to the possibility of using one or more of the commercial banks having branches in Havana as agencies of the system. There is no indication that any special action was taken upon this suggestion but it is assumed that it will be brought to the special attention of Governor Black in his capacity as Governor of the Federal Reserve Bank of Atlanta for consideration by that bank in any further recommendations that it may make to the Federal Reserve Board."

Approved.

Letter to Mr. John Edgar Hoover, Director of the Division of Investigation, Washington, D. C., reading as follows:

"With regard to the efforts of your division to trace

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"certain of the Lindbergh ransom bills, a copy of your letter of August 17, addressed to Mr. Smead, was forwarded to the Federal Reserve Banks of Boston, New York and Philadelphia with the suggestion that the Federal Reserve Banks of Boston and Philadelphia comply with your request. It is understood that the procedure now being followed by the Federal Reserve Bank of New York in connection with \$5 United States notes is satisfactory to your division."

Approved, together with letters to the governors of the Federal Reserve Banks of Boston, New York, and Philadelphia in accordance with the letter to Mr. Hoover.

Letter to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, with regard to an inquiry submitted by Mr. Roger Pierce under date of December 29, 1933, as to whether service as a director of a member bank and as a director or officer of the State Street Investment Corporation comes within the scope of the provisions of section 32 of the Banking Act of 1933. The letter stated that from the information submitted it appears the relationship referred to comes 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 permits for the continuance of such relationships, and that, in the circumstances, unless there are other facts which the Agent believes should be brought to the attention of the Board, it will be appreciated if he will advise Mr. Pierce accordingly.

Approved.

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

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"The Board has given consideration to the application of Mr. Herbert A. Wagner, Lexington Building, Baltimore, Maryland, for permission under the provisions of the Clayton Act to serve at the same time as director of the Baltimore National Bank, Baltimore, Maryland, and as director of the Maryland Trust Company, Baltimore, Maryland, and, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest. You are requested to advise the applicant of the Board's position in the matter, unless there are pertinent facts which were not submitted with the application and which you feel should be given consideration.

"In communicating with the applicant, please 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. In this connection, please advise the Board promptly as to whether Mr. Wagner 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.

"If you deem it advisable or necessary, you are authorized to inform the applicant that the Board's action upon his application was based upon the fact that the institutions involved are in substantial competition. It appears that it is the policy of the Congress, as declared in the Clayton Act, to terminate interlocking relationships between banking institutions of certain classes which are in substantial competition, apparently because the Congress felt that such relationships might tend to result in a substantial lessening of competition and a restriction of credit. Therefore, the Board does not feel that it may grant this application, since no other facts have been brought to its attention which would make it compatible with the public interest to issue the permit. In this connection, reference is made to item (c) on page 3 of the Board's letter of May 1, 1933 (X-7426).

"Also, it is noted that in reply to Question numbered 12 on F.R.B. Form 94, the applicant states that he is serving as director of the Baltimore Company and of the Baltimore-Gillet Company, the business of both organizations being described as 'investments'. While the Board does not have detailed information regarding the exact nature of the business carried on by either company, it appears possible that both may be 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the scope of the provisions of Section 32 of the Banking Act of 1933. If either company is found to be engaged in such business, even though Mr. Wagner may sever his connection with one or the other of the member banks named above in order to comply with the provisions of the Clayton Act, it will be necessary, nevertheless, for him to make application for a permit under the provisions of Section 32 to serve either

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of such companies, the business of which comes within the scope of Section 32, and the member bank which he may elect to continue serving.

"In the circumstances, it is suggested that you ascertain whether the business of the Baltimore Company or the Baltimore-Gillet Company comes within the scope of Section 32. If you find that Mr. Wagner's service to either company and to the member bank which he may continue to serve comes within the provisions of Section 32, you are requested to advise him of the requirements of that section and to notify him that he may file an application for a permit covering such service. Of course, if upon a consideration of the facts involved, with the advice of your counsel, you are unable to determine whether Mr. Wagner's service comes within the provisions of Section 32, the Board will be pleased to rule on the question upon receipt of full information.

"It will be appreciated if you will advise the Board of your action in this matter."

Approved.

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

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Calvin Fentress to serve at the same time as director of The Barnett National Bank of Jacksonville, Jacksonville, Florida, and as director of the Personal Loan & Savings Bank, Chicago, Illinois, for transmittal by you to Mr. Fentress and the two banks, and a copy for your files.

"In considering Mr. Fentress' application it was noted that he attended only one of the twenty-eight directors' meetings of The Barnett National Bank of Jacksonville held during the past two years, although he has advised you that an agent, representing two corporations in which he is interested owning more than one-third of the capital stock of the bank, forwards him monthly statements of the bank and quite often confers by telephone regarding vitally important matters confronting the bank; and that the Federal Reserve Agent at Chicago has advised you that he feels that Mr. Fentress gives more attention to the affairs of the bank than does the usual director.

"In the circumstances, and in accordance with your recommendation, the Board has granted the permit. The Board feels, however, that a director should have a satisfactory record of participation in the management and operations of the banks he serves by discharging the duties and responsibilities of his office through attendance of directors' meetings, and, when transmitting to Mr. Fentress his copy of the permit, it is

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"suggested that you inform him that it is with the expectation that he will improve his attendance at directors' meetings of the Jacksonville bank that the Board has granted the permit. While the stockholdings of Mr. Fentress and his interests apparently warrant their being represented on the Board of Directors of The Barnett National Bank, either by Mr. Fentress or otherwise, it would seem that, if he is unable to properly represent such interests by attending directors' meetings and participating actively therein, such interests would be better served by having a designated representative who would be able to attend such meetings regularly. When you submit your recommendation as a result of your annual review of this permit, you are requested to report fully as to Mr. Fentress' attendance at directors' meetings of The Barnett National Bank of Jacksonville during 1934.

"A copy of this letter is being sent to the Federal Reserve Agent at the Federal Reserve Bank of Chicago, together with his copy of the permit."

Approved.

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

Mr. W. T. Clark, for permission to serve at the same time as a director and officer of The First National Bank of Gracemont, Gracemont, Oklahoma, and as a director and officer of The First National Bank of Apache, Apache, Oklahoma.

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. The letter also requested that when the agent submits

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his recommendation as a result of his annual review of the permits, he report fully as to Mr. Walsh's attendance at directors' meetings:

Mr. Wm. C. Henderson, for permission to serve at the same time as a director and officer of The First National Bank of Sheridan, Sheridan, Wyoming, and as a director and officer of the Arvada State Bank, Arvada, Wyoming.

Mr. R. H. Walsh, for permission to serve at the same time as a director and officer of The First National Bank of Sheridan, Sheridan, Wyoming, and as a director of the Arvada State Bank, Arvada, Wyoming.

Approved.

Letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permit, and stating that if the agent finds no cause for withholding delivery of the permit after ascertaining the developments in the proposed reorganization of The State National Bank of Iowa Park, he is authorized to transmit it to the applicant:

Mr. John Hirschi, for permission to serve at the same time as a director and officer of The Wichita National Bank of Wichita Falls, Texas, and as a director and officer of The State National Bank of Iowa Park, Iowa Park, Texas.

Approved.

Letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permit, 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 applicant, he is authorized to transmit the Clayton Act permit to Mr. Lain:

Mr. Thomas W. Lain, for permission to serve at the same time as an officer of the Hutchings-Sealy National Bank of Galveston,

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Galveston, Texas, and as a director and officer of the Citizens State Bank, League City, Texas.

Approved.

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

Mr. J. R. Marljar, for permission to serve at the same time as a director and officer of The Farmers National Bank of Osborne, Osborne, Kansas, and as a director of the Peoples State Bank, Luray, Kansas.

Mr. R. C. Russell, for permission to serve at the same time as a director and officer of The First National Bank of Hoisington, Hoisington, Kansas, and as a director of the Farmers State Bank, Albert, Kansas.

Mr. C. D. Saunders, for permission to serve at the same time as a director and officer of The First National Bank of Omaha, Omaha, Nebraska, as a director and officer of the Washington County Bank, Blair, Nebraska, and as a director and officer of the Nebraska State Bank, Valentine, Nebraska.

Mr. G. H. Thorley, for permission to serve at the same time as a director and officer of The Commercial National Bank of Ainsworth, Ainsworth, Nebraska, and as a director and officer of The First National Bank of Springview, Springview, Nebraska.

Mr. Robert K. Hutchings, for permission to serve at the same time as a director and officer of the Hutchings-Sealy National Bank of Galveston, Galveston, Texas, and as a director of the Citizens State Bank, League City, Texas.

Approved.

Thereupon the meeting adjourned.

Robert M. Morill
Secretary.

Approved:

J. J. Lewis
Vice Governor.