A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, September 11, 1934, at 4:30 p. m.

PRESENT: Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. James
Mr. Szymczak
Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The Committee considered and acted upon the following matters:

Telegram dated September 10, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Your letter September 1. Board approves bond executed under date of September 1, 1934 by Ray M. Gidney as Assistant Federal Reserve Agent."

Approved.

Memorandum dated September 6, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that the temporary employment of Miss Beverly Mathews as a stenographer in the division be extended for another thirty day period from September 14 to October 13, 1934, inclusive, at the same rate of compensation as the previous employment. The memorandum was approved by three members of the Board on September 8, 1934.

Approved.

Memorandum dated September 8, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that Mrs.
Julia Haigh, who has been employed in the division as a statistical clerk since February 20, 1928, has resigned to accept a position with the Denver branch of the Federal Reserve Bank of Kansas City, and recommending that, in accordance with the customary practice where employees have worked with the Board for three years or longer, Mrs. Haigh be allowed thirty days' leave of absence with pay, and that her resignation be accepted as at the termination of business on September 11, 1934.

Approved.

Letter to Mr. Dillard, Deputy Governor of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of your letter of August 29, 1934, requesting advice as to the salary at which teletype typists could be obtained in Washington.

"The Civil Service Commission has advised over the telephone that they have classified a teletype operator in the Internal Revenue Department at a basic salary of $1,440 per annum, which is also the entrance salary of senior typists. The Civil Service entrance rate for junior typists is $1,260 per annum but employees in this class probably would not be satisfactory as teletype operators. Inquiries at the Postal and Western Union Telegraph Companies indicate that their salary schedules are somewhat lower than the Civil Service rate for senior typists, but it is not believed that salaries which would be paid to teletype operators in the Washington telegraph office should be less than the entrance salary for Civil Service employees.

"In this connection, reference is made again to your letter of July 26, 1934, and the Board's reply of August 24, with regard to the operation of the leased wire system. It has been suggested that a further simplification of the operations of the leased wire system might be effected if each Federal reserve bank would send direct to the various government agencies, for the account of which messages are sent over the main line leased wires by the bank, expense vouchers covering the cost of such messages.

"If this procedure were adopted there would be reported to the Federal Reserve Board monthly by each Federal reserve bank the total number of words sent by the bank over the main line leased wires during the month, including the words sent on
"reimbursable business, and there would be included in the
Board's business the number of words contained in messages orig-
inating in the Washington office on business for the account of
the various government agencies. If the suggestion referred to
in your letter of July 26 were adopted that the Federal Reserve
Board be charged with its proportionate share of the leased
wire expense, the monthly leased wire expense would then be
distributed among the Federal Reserve Board and the Federal re-
serve banks on the basis of the total number of words reported
by the banks and the Board and, upon determination of the per-
word cost of messages sent over the main lines, which would be
shown on the leased wire statement, each Federal reserve bank
and the Board would use that cost as the basis for billing the
various agencies for the telegrams sent for their account during
the month covered by the statement.

"In two or three cases in the past messages have been sent
for an agency which was not in a position to make reimbursement.
Under the arrangement suggested above where an expense voucher
forwarded to a government agency by a Federal reserve bank is
unpaid because the agency has no available appropriation or
otherwise, the cost of such telegrams would have to be borne by
the sending bank and a determination reached on the question
whether the bank would discontinue to handle such telegrams or
elect to absorb the expense itself.

"It will be appreciated if, when the leased wire committee
considers the questions referred to in your letter of July 26,
1934, it will give consideration also to the procedure outlined
above and advise whether, in its opinion, it should be adopted."

Approved.

Letter dated September 8, 1934, approved by three members of
the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve
Bank of St. Louis, reading as follows:

"Reference is made to your letter of July 13, 1934, with
inclosures, recommending approval of the absorption on October
21, 1933, by First Trust & Savings Bank of Harrisburg, Harris-
burg, Illinois, a member bank, of Raleigh State Bank, Raleigh,
Illinois, a nonmember bank. On October 24, 1933, the Board
advised you that no objection would be interposed at the time
but that final consideration of the transaction would be deferred
pending receipt of complete information relative thereto, includ-
ing an appraisal of the assets taken over, to be obtained by your
examiner at the next examination of the First Trust & Savings
Bank.

"The Board has received the report of examination of First
Trust & Savings Bank of Harrisburg as of May 21, 1934, the
"analysis thereof, and other information in connection with the absorption, from which it appears that the transaction has resulted in no material change in the general character of assets or broadening in the scope of functions exercised by First Trust & Savings Bank, within the meaning of the general condition under which the bank was admitted to membership. It has been noted also that the transaction was handled under the supervision of the Auditor of Public Accounts of the State of Illinois and did not result in an amendment to the bank's charter or any change in its corporate existence. The Board, therefore, and in accordance with your recommendation, will interpose no objection to the transaction.

"It will be appreciated if you will advise the Board what action has been taken by the bank to eliminate the estimated losses of $20,907 and to effect the corrections requested in your letter of July 13, 1934."

Approved.

Letter dated September 8, 1934, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"The report of earnings and dividends of the Farmers and Merchants Bank of Long Beach, Long Beach, California, for the period ending June 30, 1934, reflects charge-offs of $89,873 on loans, no charge-offs on account of securities, and a reserve for contingencies on June 30, 1934, of $241,665. According to the report of examination of the bank as of November 17, 1933, the latest report available, total depreciation in securities amounted to $285,180, against which a reserve of $175,000 was carried. The analysis of the report shows that approximately $202,000 of the depreciation was in defaulted bonds and other lower grade securities.

"The Board feels that estimated losses and depreciation listed for elimination have not been properly eliminated by the setting up of reserves which are included with the bank's capital accounts in its published statements, and that, if the items listed for elimination are not actually charged off but are offset by reserves, such reserves should be treated as valuation reserves and deducted from the assets against which allocated, thereby reporting such assets in the same amounts as if the charge-offs actually had been made. The Board feels also that losses to provide for which the reserves were established should be charged against the respective reserves as soon as such losses are determined.

"The reports of examination of the bank and its affiliated trust company reflect numerous criticisms, including heavy
"borrowings of directors, officers and their interests. The examiner also comments upon the desirability of strengthening the management of the bank. It would appear that another examination of the bank is due within a short time and following such examination, you are requested to advise the Board fully as to the progress made by the bank in effecting corrections of the criticized matters and strengthening the management."

Approved.

Letter dated September 8, 1934, approved by three members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller Gough's recommenda-
tion, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Batavia', Batavia, Ohio, from $80,000 to $50,000, pursuant to a plan which provides that the bank's capital shall be increased by $30,000 of preferred stock to be sold to the Reconstruction Finance Corporation, that the present preferred stock in the amount of $30,000 shall be subordinated to the new issue, and that the released capital shall be used to eliminate a corresponding amount of the least desirable assets in the bank, all as set forth in Mr. Gough's memorandum of August 27, 1934.

"In considering the plan under which the reduction in common capital is to be effected, it has been noted that your examiner criticized the bank's management, which he regards as weak, if not actually incompetent. It is assumed, however, that you have this feature in mind and that, whenever it is feasible to do so, you will obtain such further corrections as may be practicable."

Approved.

Telegram dated September 8, 1934, approved by three members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, stating that the Board has given considera-
tion to the application of the "National Corporation", Charlottes-
ville, Virginia, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, ent-
titling such organization to vote the stock which it owns or controls
in "The Scottsville National Bank", Scottsville, Virginia, and has
authorized the issuance of a limited permit to the applicant for the
following purpose:

"To act upon a proposal or proposals to effect the liquidation of such bank and to take such action as may be necessary to
accomplish the liquidation of such bank."

The telegram also authorized the agent to have prepared by counsel
for the Federal reserve bank, and to issue to the National Corpora-
tion, a limited voting permit in accordance with the telegram.

Approved.

Telegrams dated September 8, 1934, approved by three members
of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the
Federal Reserve Bank of San Francisco, stating that the Board has
given consideration to the applications of the "Transamerica Corpora-
tion" and the "Transamerica Bank Holding Company", both of San Fran-
cisco, California, for voting permits under the authority of section
5144 of the Revised Statutes of the United States, as amended, entitl-
ing such organizations to vote the stock which they own or control in
"The First National Bank of Puente", Puente, California, and has au-
thorized the issuance of limited permits to the applicants for the
following purpose:

"At any time prior to December 1, 1934, to act upon a pro-
posal or proposals to effect the liquidation of such bank and
to take such action as may be necessary thereto, including the
ratification of transactions heretofore consummated involving
assumption of certain liabilities and purchase of certain assets
of such bank."

The respective telegrams also authorized the assistant agent to have
Prepared by counsel for the Federal reserve bank, and to issue to the
Transamerica Corporation and the Transamerica Bank Holding Company, limited voting permits in accordance with the telegrams.

Approved.

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

"It now seems altogether probable that the Federal Reserve Board will take action within a few days on Regulation T, and that in order to secure prompt distribution the Board will request the Federal Reserve banks to have the regulation printed. In view of this probability an extra copy of the draft of September 5, which will be the basis of the final regulation, is inclosed, and the suggestion is made that the necessary arrangements for printing may be taken up in a preliminary way in advance of your receipt of the regulation in its final form.

"It will be necessary to distribute the regulation to all members of all national securities exchanges, and in addition to 'all brokers and dealers who transact a business in securities through the medium of any such member'. For the purpose of making up the necessary mailing list we understand that one of the Federal Reserve banks has used the 1934 mid-year edition of 'Security Dealers of North America', supplemented by lists of registered security dealers obtained from the several State Securities Commissions in the states comprising the district."

Approved.

Letter dated September 8, 1934, approved by three members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of July 31, 1934, regarding the rate of interest which may lawfully be paid upon savings or thrift accounts by national banks located in the State of Vermont, in view of the order of the Commissioner of Banking and Insurance for the State of Vermont dated July 12, 1934, and the provisions of section 24 of the Federal Reserve Act.

"As you know, section 24 of the Federal Reserve Act provides that the rate of interest which a national banking association may pay upon time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State wherein such national banking association is located."
"It appears that Section 6792 of the Public Laws of Vermont fixes the maximum rate of interest which may be paid on deposits by savings banks in that State, but provides further that the Commissioner of Banking and Insurance, during the years 1933, 1934 and 1935, may fix a uniform maximum interest rate for all savings banks and trust companies which they may pay on deposits in any interest period, and that no savings bank shall pay interest at a greater rate than the maximum so fixed. Section 6807 of the Public Laws of Vermont in like manner fixes the maximum rate of interest which may be paid on deposits by trust companies in that State, but authorizes the Commissioner, during the years 1933, 1934 and 1935, to fix a uniform maximum interest rate for all savings banks and trust companies which they may pay on deposits in any interest period, and provides that no trust company shall pay interest at a greater rate than the maximum so fixed.

"It further appears that on July 12, 1934, the Commissioner of Banking and Insurance, pursuant to the authority vested in him by statute, fixed the maximum rate of interest that may be paid on deposits by mutual savings banks and savings banks and trust companies during the six months' period beginning August 2, 1934, and ending February 2, 1935, at two and one-half percent per annum. It is understood that as the result of this order no bank or trust company incorporated under the laws of the State of Vermont may lawfully pay interest on deposits at a rate in excess of that fixed by the Commissioner, and that the order is applicable to the payment of interest on all classes of deposits.

"In the circumstances, it is the view of the Federal Reserve Board that the rate of interest which has been so fixed by the Commissioner of Banking and Insurance of the State of Vermont, in accordance with the statutory provisions above referred to, is the maximum rate 'authorized by law' to be paid upon deposits by State banks or trust companies organized under the laws of the State of Vermont within the meaning of section 24 of the Federal Reserve Act; and that, therefore, the rate of interest which national banks located in that State may lawfully pay on deposits during the six months' period ending February 2, 1935 may not exceed the rate prescribed by the Commissioner in his order of July 12, 1934. It is believed desirable, as suggested in your letter, that notice to this effect be given by you to all member banks which are located in the State of Vermont, calling attention to the applicable provision of section 24 of the Federal Reserve Act and to the provisions of subsection (c) (3) of section III and subsection (c) (3) of section V of the Board's Regulation Q."

Approved.

Letter dated September 8, 1934, approved by three members of
the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"This refers to Mr. Awalt's memorandum of August 11, 1934, regarding the right of a national bank in Indiana to pay interest on uninvested trust funds, in view of the provisions of the law of that State requiring the payment of interest on such funds in certain circumstances.

"As you know, the Federal Reserve Board has ruled that section 19 of the Federal Reserve Act 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 by the bank as soon as possible to eliminate any provisions for the payment of interest on deposits payable on demand.

"It is assumed that the uninvested trust funds to which reference is made in Mr. Awalt's memorandum are treated by the bank as deposits and that they 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. In these circumstances, it would appear that the ruling of the Board above referred to is applicable to the case presented in your letter; and, accordingly, no interest may lawfully be paid by a member bank in Indiana upon such uninvested trust funds which are payable on demand, notwithstanding the fact that the State law requires the payment of interest on such funds by State banks or trust companies.

"In the circumstances, it is suggested that the national bank in question may wish to consider the possibility of making such changes in its contracts with its customers as may be necessary to convert uninvested balances of trust funds payable on demand into time deposits as defined in the Board's Regulation Q. In that event, of course, interest might lawfully be paid upon such deposits in accordance with the provisions of the regulation.

"In this connection, it is appropriate to state that the Board has recommended to Congress an amendment to the law which would permit the payment of interest by member banks on deposits of trust funds payable on demand with respect to which such payment of interest is required by State law. This amendment was included in the so-called omnibus banking bill which was considered by the Congress in the closing days of the last session but failed of enactment. The Board feels that such an amendment to the law should be enacted and expects to renew its recommendation on this subject to the next Congress."

Approved.
Letter dated September 8, 1934, approved by three members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of August 24, 1934, inclosing a copy of a letter received from the President of the Ramsey County National Bank, Devil's Lake, North Dakota, with regard to the negotiability of a certificate of deposit containing the phrase 'the rate of interest payable hereunder is subject to change by the bank to such extent as may be necessary to comply with requirements of the Federal Reserve Board made from time to time pursuant to the Federal Reserve Act'. You also inclose a copy of an opinion of your counsel with regard to this matter in which he states that the question is a doubtful one.

"Counsel for the Federal Reserve Board has given consideration to the question whether a certificate of deposit bearing the clause in question is negotiable and feels that the question is open to doubt and is one upon which the courts of the various States, if called upon to pass on it, would not be likely to reach a uniform conclusion. Under the definition of the term 'time certificate of deposit' contained in the Board's Regulation Q it is not required that such a certificate be negotiable and, accordingly, an opinion of the Federal Reserve Board on the question would not appear to be necessary. As indicated by your counsel, while the Board has suggested the use of the clause in question on time certificates of deposit issued by member banks in order that depositors may have knowledge that the rate of interest stated on such certificates is subject to such modification as may be necessary to conform to the rate as limited or prescribed by the Federal Reserve Board from time to time under the law, there is no requirement to this effect and it is not essential that a certificate include a provision of this kind in order that it may be classified as a time certificate of deposit upon which interest may be paid in accordance with the provisions of the Board's Regulation Q.

"It is noted that your counsel suggests that, instead of including the clause in question on time certificates of deposit, a member bank might advise its customers of the possibility of a change of rate through a printed notice issued to the depositor at the time of the issuance of a certificate. If a member bank feels that it is not desirable to place the clause in question on its certificates of deposit and that it is preferable to notify its customers in the manner suggested by your counsel, the Federal Reserve Board has no objection to the adoption of such practice."

Approved."
Letter to Mr. Richard Whitney, President of the New York Stock Exchange, reading as follows:

"Receipt is acknowledged of your letter of September 10 in regard to the tentative draft of Regulation 'T' relating to the extension and maintenance of credit by brokers, dealers and members of securities exchanges.

"The Board is glad to comply with your request for an opportunity to be heard by it and has fixed the time for the hearing beginning at 10:30 on the morning of Thursday, September 13. In this connection it is understood from your letter that you will arrange to have in my hands for the information of the members of the Board not later than 9:30 a.m. Wednesday, September 12, copies of the statement of the points in regard to which there is objection by the exchange, the reasons for the objections, and the suggestions of the exchange as to alterations in the regulations. It will be satisfactory to the Board for you to bring with you the persons described in the next to the last paragraph of your letter."

Approved.

Memorandum dated September 11, 1934, from Mr. Carpenter, Assistant Secretary, stating that, in accordance with the suggestion of some of the members of the Board that a stenographic report be made of the hearing granted by the Board to representatives of the New York Stock Exchange on September 13, 1934, it is recommended that the firm of Hart, Dice & Carlson be engaged to make a record of the hearing on Thursday, with the understanding that Mr. Gregor Macpherson will be assigned by the firm to make the stenographic record, and that the charge for the stenographic report of the hearing to be made by Mr. Macpherson will be at the rate of 25¢ per hundred words for the original copy; the cost of any additional copies to be determined by the number of extra copies ordered.

Approved.

Letter dated September 8, 1934, approved by three members of
the Board, to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of August 24, 1934, in which you advise that Mr. J. F. Darby of Vidalia, Georgia, who is a principal stockholder in a nonmember State bank and who also is owner and operator of unincorporated private banks in Georgia, has stated, in connection with the proposed examinations of such private banks under the provisions of section 21 of the Banking Act of 1933, that he will not pay any amount in excess of the reasonable costs of conducting an examination confined to an investigation of the 'banking assets' of his banks.

"You state that it is your purpose shortly to begin the making of examinations of those private banks; and that it is your view that you should proceed to make the examinations, and if it should develop that the availability of current audits conducted by certified public accountants of Mr. Darby's various enterprises renders it unnecessary to make a detailed investigation into the affairs of those businesses, it is possible that Mr. Darby will pay the costs of examination without question. If he refuses to do so, you advise that you will probably have to undertake to collect the costs by legal process or else waive your contention in the matter. The Federal Reserve Board agrees with you that the course of procedure that you suggest is desirable in the circumstances. If, however, after the examinations Mr. Darby refuses to pay the costs thereof, it is requested that you again advise the Federal Reserve Board with reference to the matter before finally determining your course of action.

"You also suggest for consideration of the Board the possibility that the law might be so construed that an offer to submit to an examination, coupled with a refusal to pay the expenses incident thereto, would be a violation of the statute and that, if so, it might be that this case should be reported to the Attorney General and to the local United States Attorney. The Board has given consideration to this suggestion but feels that the circumstances, at this time at least, are not such as to render necessary a report of the matter to the Department of Justice or to the local United States Attorney."

Approved.

Telegram dated September 10, 1934, approved by four members of the Board, to Mr. Logan, Deputy Governor and General Counsel of the Federal Reserve Bank of New York, reading as follows:

"Your wire September 6 presenting question whether Lehman
"Brothers investment bankers in New York may be considered a financing institution within the meaning of Section 13b of Federal Reserve Act. It is understood that a substantial part of the business of Lehman Brothers consists of providing funds for business enterprises through the underwriting, sale and distribution of securities. It is also understood that under the transaction which is now proposed Lehman Brothers will make a loan or advance to an established industrial or commercial business to provide it with working capital and that such loan or advance will be evidenced by the note of such business. It is Board's view that in circumstances stated and upon condition that transaction will comply in all other respects with applicable requirements of law and regulation Federal Reserve Bank may lawfully discount or purchase from firm of Lehman Brothers such obligation of established industrial or commercial business pursuant to section 13b."

Approved.

Letter dated September 8, 1934, approved by three members of the Board, to Mr. Joseph L. Kelley, President of the Hoskins Company, Philadelphia, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of August 27 in regard to the disapproval by the Federal Reserve Bank of Philadelphia of your application for an industrial advance in the amount of $3,000.

You are doubtless aware of the provisions of the Act of June 19, 1934, and of the Board's Regulation 'S' issued pursuant thereto in regard to advances to industrial and commercial enterprises for the purpose of providing working capital. The law established in each Federal reserve district an Industrial Advisory Committee and provided that each application for any such advance should be submitted to the committee for investigation and thereupon should be transmitted by it to the Federal reserve bank with its recommendation. The power to make such advances has been vested in each Federal reserve bank, and in order that the operation might be expedited as much as possible the Federal Reserve Board in its Regulation 'S' placed no restrictions upon the Federal reserve banks other than those set forth in the law itself. Therefore your letter to the Board has been brought to the attention of the Federal Reserve Bank of Philadelphia.

The Board is advised that the application of your company received the careful consideration of the Industrial Advisory Committee at Philadelphia and of the officers of the Federal reserve bank, and that they concurred in the conclusion that the advance desired could not safely be granted because of the operating and financial record of the business, the lack of
adequate evidence of its ability to repay the loan, and its inability to provide sufficient security therefor. Since the application was thoroughly investigated and full consideration was given to all of its aspects, there appears to be no basis for further action by the Federal Reserve Board in the matter."

Approved.

Telegram to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Your telegram re housing loan from member bank to manager your insolvent bank department. Question has not been submitted previously to Board. As Board's letter X-7425 contemplated that matters of indebtedness of employees in operating departments of bank would be submitted to board of directors, it is suggested matter be presented to your directors for decision in light of Board's letter. If your directors feel loan is proper, Board will interpose no objection."

Approved.

Letter to Honorable Morris Sheppard, United States Senator, Texarkana, Texas, reading as follows:

"This refers to your letter addressed to Governor Black dated August 23, 1934, with which was inclosed a letter to you dated August 21, 1934, from Mr. J. T. Bowman, Austin, Texas, regarding his application under section 32 of the Banking Act of 1933, for a permit to serve at the same time as a director of the American National Bank, and as president and director of the Southwest Investment Company, both of Austin, Texas. Your letter was received after the resignation of Governor Black as Governor of the Federal Reserve Board had been accepted, and after he had returned to his position as Governor of the Federal Reserve Bank of Atlanta.

"On July 16, 1934, the Board wrote a letter to Mr. Bowman stating that the interlocking directorate relationship covered by his application appeared to be within the class which section 32 was designed to terminate, and that the Board was unable to find that it would not be incompatible with the public interest as declared by Congress to grant his application. Mr. Bowman was, however, invited to submit, through the Federal Reserve Agent at the Federal Reserve Bank of Dallas, such additional facts or arguments as he might desire, in support of his application. On July 23, 1934, in a letter addressed to such Federal Reserve Agent, Mr. Bowman stated that the Southwest Investment Company was 'practically in liquidation', and that there was
"no municipal bond business'. In that letter, Mr. Bowman suggested that the Federal Reserve Agent request the Board to hold his application in abeyance until the end of the year and thus give him a chance to get rid of the investment company, which he stated did not amount to much.

"In response to Mr. Bowman's letter, the Board, on August 1, 1934, wrote to the Federal Reserve Agent at the Federal Reserve Bank of Dallas stating that if the Southwest Investment Company was in actual liquidation and was no longer engaged in the business of purchasing, selling, or negotiating securities, Mr. Bowman's service to the company and to the member bank would not come within the scope of the provisions of section 32, and that no permit under the section would be necessary. The Board also stated that if the Southwest Investment Company was not in actual liquidation, and if its activities as a dealer in securities were only temporarily curtailed by reason of a lack of business as was indicated in Mr. Bowman's letter dated July 23, 1934, the relationship in question would fall within the provisions of section 32, and in such event the Board would not feel justified in granting a permit. The Board again requested additional information concerning the status of the Southwest Investment Company in order that the application might be given further consideration.

"The Board has now received from the Federal Reserve Agent a copy of a letter addressed to him by Mr. Bowman, dated August 21, 1934, which is similar in substance to Mr. Bowman's letter to you of the same date, which was inclosed in your letter. In his letter to you Mr. Bowman states that at the present time the Southwest Investment Company is 'doing practically no investment business whatever.' Mr. Bowman also states that the company is 'inactive'. It is the opinion of the Federal Reserve Board that if the Southwest Investment Company has definitely terminated the business of purchasing, selling, or negotiating securities, the relationship covered by Mr. Bowman's application does not come within the provisions of section 32, and that no permit is required under the section. If, however, as stated above, the securities business of the company is merely curtailed because of business conditions, no facts have been presented to the Board which would justify it in making an exception in Mr. Bowman's case. In this connection, you may wish to suggest to Mr. Bowman that he furnish to the Board, through the Federal Reserve Agent at the Federal Reserve Bank of Dallas, information as to whether the Southwest Investment Company has definitely terminated its business of purchasing, selling, or negotiating securities, together with any other facts or arguments which he may wish to submit.

"It has been noted that in his letter of August 21, 1934, Mr. Bowman suggests that the Federal Reserve Board have the proper authorities request the national bank examiner, at his next
examination of the American National Bank, to investigate and report whether there is any improper relation or any reason for termination of the interlocking directorate relationship in question. This suggestion is apparently grounded upon a misconception of the basis upon which the Board acts upon applications for permits under section 32. The Board believes that it was the intent of Congress in enacting this section to terminate relationships of certain types described in the section between member banks and dealers in securities, apparently because it felt that such relationships might have a tendency to influence the credit and investment policies of member banks in a manner which was felt to be incompatible with the public interest. The Board feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in section 32, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed. Accordingly, the Board believes that it should not issue permits covering relationships which are actually of the kind at which the provisions of section 32 were directed even though, in the particular case, the undesirable practices which Congress sought to prevent have not occurred.

"In accordance with the views expressed above, the Board will be glad to consider any additional information which Mr. Bowman wishes to submit regarding his application. Mr. Bowman's letter to you dated August 21, 1934, is returned herewith, in accordance with your request."

Approved.

Letter dated September 10, 1934, approved by four members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, 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. Nichols:

Mr. H. J. Nichols, for permission to serve at the same time as a director and officer of The National Shawmut Bank of Boston, Boston, Massachusetts, and as a director of the County Bank and Trust Company, Cambridge, Massachusetts.

Approved.
Letter dated September 8, 1934, approved by three members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Board has given consideration to the application of Mr. Charles M. Tait for permission under the provisions of the Clayton Act to serve at the same time as a director and officer of the First National Bank in Gouverneur, and as a director of the Bank of Gouverneur, both of which banks are located in Gouverneur, N. Y.; also as a director of The First National Bank of Canton, Canton, N. Y.; 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. Tait 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 desirable or necessary, you are authorized to inform Mr. Tait that the Board's action upon his application was based largely upon the fact that the two Gouverneur banks 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, in view of the fact that the two Gouverneur banks are in substantial competition, 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 a permit in spite of the danger that a substantial lessening of competition or restriction of credit might result therefrom. In this connection reference is made to item (c) of Page 3 of the Board's letter of May 1, 1933, (X-7426).

"You are authorized also to inform Mr. Tait that, if he so desires, he may by letter amend his application to exclude therefrom one of the two Gouverneur banks, and that upon receipt from him of such amendment, accompanied by appropriate evidence of the severance of his connections with the bank which is to be excluded from the application, the Board will give consideration to such
"amended application. The amendment, and any additional information submitted by the applicant in connection therewith should, of course, be transmitted to you and should be forwarded to the Board with your recommendation."

Approved.

Letter dated September 8, 1934, approved by three members of the Board, 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; suggesting that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of the Farmers State Bank that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. E. N. Van Horne, for permission to serve at the same time as a director and officer of The Continental National Bank of Lincoln, Lincoln, Nebraska, and as a director of the Farmers State Bank, Pawnee City, Nebraska.

Approved.

Letter dated September 10, 1934, approved by three members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, 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. Brown:

Mr. Randall K. Brown, for permission to serve at the same time as a director and officer of The Citizens National Bank of Ashland, Ashland, Nebraska, as a director and officer of The Bank
of Memphis, Memphis, Nebraska, and as a director of The Omaha Na-
tional Bank, Omaha, Nebraska.

Approved.

Letter dated September 10, 1934, approved by three members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Re-
serve Bank of Kansas City, inclosing the following Clayton Act permit for transmission to the applicant; suggesting that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of The Security State Bank that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meet-
ings:

Mr. J. C. Railsback, for permission to serve at the same time as a director and officer of The Citizens National Bank of Ashland, Ashland, Nebraska, and as a director and officer of The Security State Bank, Sterling, Colorado.

Approved.

Letters dated September 8, 1934, approved by three members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Harry L. Additon, for permission to serve at the same time as a director of the Manchester Morris Plan Bank, Manchester, New Hampshire, and as a director and officer of The Merchants National Bank of Manchester, Manchester, New Hampshire.

Mr. Arthur E. Moreau, for permission to serve at the same time as a director of the Manchester Morris Plan Bank, Manchester, New Hampshire, and as a director of The Manchester National Bank, Manchester, New Hampshire.

Mr. Carl H. Flemer, for permission to serve at the same time as a director of The First National Bank of Springfield, Springfield,
New Jersey, and as a director of The First National Bank of Millburn, Millburn, New Jersey.

Mr. H. L. Servoss, for permission to serve at the same time as an officer of the Chemical Bank & Trust Company, New York, New York, and as a director of The First National Bank of Madison, Madison, New Jersey.

Mrs. A. W. Cain, for permission to serve at the same time as a director of The Farmers National Bank of Somerset, Somerset, Kentucky, and as a director and officer of The Bank of McCreary County, Whitley City, Kentucky.

Mr. Frank S. Given, for permission to serve at the same time as a director of The Central National Bank of Columbia, Columbia, Pennsylvania, and as a director of The Glyndon Bank, Glyndon, Maryland.

Mr. J. H. Garrett, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director and officer of The Peoples Savings Bank, Santa Cruz, California.

Mr. J. H. Hauschildt, for permission to serve at the same time as a director of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director of The Peoples Savings Bank, Santa Cruz, California.

Mr. L. F. Hinds, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director and officer of The Peoples Savings Bank, Santa Cruz, California.

Mr. W. O. Kerrick, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director and officer of The Peoples Savings Bank, Santa Cruz, California.

Mr. A. L. Phillips, for permission to serve at the same time as a director of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director of The Peoples Savings Bank, Santa Cruz, California.

Mr. Joseph Riordan, for permission to serve at the same time as a director of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director of The Peoples Savings Bank, Santa Cruz, California.

Mr. A. J. Thorp, for permission to serve at the same time as an officer of The Farmers and Merchants National Bank of Santa
Cruz, Santa Cruz, California, and as an officer of The Peoples Savings Bank, Santa Cruz, California.

Mr. C. E. Towne, for permission to serve at the same time as a director and officer of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as a director and officer of The Peoples Savings Bank, Santa Cruz, California.

Mr. T. P. Williams, for permission to serve at the same time as an officer of The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California, and as an officer of The Peoples Savings Bank, Santa Cruz, California.

Approved.

Letters dated September 10, 1934, approved by three members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. J. T. Haley, for permission to serve at the same time as a director and officer of The City National Bank of Albany, Albany, Georgia, and as a director and officer of the First National Bank in Cordele, Cordele, Georgia.

Mr. W. B. Haley, for permission to serve at the same time as a director and officer of The City National Bank of Albany, Albany, Georgia, and as a director and officer of the First National Bank in Cordele, Cordele, Georgia.

Mr. G. J. Railsback, for permission to serve at the same time as a director of The Farmers State Bank of Minier, Minier, Illinois, and as a director and officer of The Citizens National Bank of Ashland, Ashland, Nebraska.

Approved.

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

<table>
<thead>
<tr>
<th>Application for ORIGINAL Stock:</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>District No. 8. The First National Bank in Carlyle, Carlyle, Illinois.</td>
<td>42</td>
</tr>
</tbody>
</table>

Approved.
Thereupon the meeting adjourned.

Chester [Signature]
Secretary.

Approved:
[Signature]
Vice Governor.