

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, September 12, 1934, at 3:50 p. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel

The Committee considered and acted upon the following matters:

Memorandum dated September 11, 1934, from Mr. Carpenter, Assistant Secretary, referring to the action of the Board on August 10, 1934, in granting to Mr. J. H. Heher, an operator in the Board's telegraph office, an additional leave of absence without pay, on account of illness, for thirty days from August 15, 1934; and recommending, for reasons stated in the memorandum, that the leave of absence without pay granted to Mr. Heher be extended to the close of business on October 15, 1934. The memorandum also recommended that the Board authorize the continuation of the temporary employment as telegraph operators of Mr. L. H. Cooley on a full-time basis, with salary at the rate of \$165 per month, and of Mr. B. B. Forte on a part-time basis, with salary at the rate of \$100 per month, until the close of business on October 15, 1934, when it is understood Mr. Heher will be ready to report for duty.

Approved.

Memorandum dated September 1, 1934, from Mr. Goldenweiser,

9/12/34

-2-

Director of the Division of Research and Statistics, transmitting the resignation of Miss Alice Demerjian as a stenographer in the division, effective at the close of business on September 8, 1934.

Accepted.

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

"Your letter September tenth. Board approves appointment of Elmer L. Fagundus as examiner in Federal Reserve Agent's department your bank at salary rate of \$3,600 per annum. Please advise effective date. It is understood that prior to assuming his duties Mr. Fagundus will sever his outside connections as indicated in your letter."

Approved.

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

"Your letter September 8. Board approves payment of compensation to A. G. Moss at the rate of \$50 per day for time actually spent in making analyses in connection with industrial loans as set out in Governor McKinney's report."

Approved.

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

"The Board has reviewed the information submitted with the application of 'The First National Bank of Ketchikan', Ketchikan, Alaska, for membership in the Federal Reserve System.

"It has been noted that the bank's principal motive in applying for membership in the System was to obtain the benefits of deposit insurance under the Federal Deposit Insurance Corporation, and that its application was filed prior to the date legislation was enacted extending to banks in Alaska and Hawaii the benefits of such deposit insurance. According to advice from the Federal Deposit Insurance Corporation, an application has been received from the bank for admission to the benefits of the insurance fund, and the institution's application will be considered by that Corporation as soon as a new examination

9/12/34

-3-

"report of the bank has been received. It is understood that an examination of the bank will shortly be made by a representative of the Comptroller of the Currency's office, which will be used by the Federal Deposit Insurance Corporation as a basis for considering the bank's application for admission to the insurance fund.

"It has been noted also that the Executive Committee and officers of the Federal Reserve Bank of San Francisco are of the opinion that inasmuch as the benefits of the Federal Deposit Insurance Corporation are now available to all banks operating in Alaska, the application of the institution for membership in the System should be deferred until such time as a survey can be made covering banking and other general conditions in the Territory.

"The Board concurs in this recommendation. A representative of the Comptroller of the Currency is now engaged in the examination of national banks in Alaska and has been requested to furnish the Board with such information as he may be able to develop regarding banking conditions in Alaska, the need or desirability of membership in the System for national or territorial banks, and any other data which would be useful to the Board in considering possible applications of banks in Alaska for membership in the System. Accordingly, the Board will defer any action on the application of The First National Bank of Ketchikan until receipt of the national bank examiner's report.

"In the meantime, it is suggested that you review available information regarding banking and economic conditions in Alaska and give consideration to the general questions raised in connection with applications for membership of banks in the Territory in order that you may be prepared, when the national bank examiner's report is received, to furnish the Board with a statement of your views and recommendations in the matter."

Approved.

Letter to the "South Philadelphia National Bank of Philadelphia", Philadelphia, Pennsylvania, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania, only in the specific trusts in which The Southwestern National Bank of

9/12/34

-4-

"Philadelphia had been appointed and was acting on the date the South Philadelphia National Bank of Philadelphia was authorized by the Comptroller of the Currency to commence business, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. Action has been deferred upon your application for full fiduciary powers until after an examination has been made of your bank and a report of such examination is available.

"The Board feels that, if you are tendered any of the trusts now held by The Southwestern National Bank of Philadelphia, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of your institution."

Approved.

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

"The Federal Reserve Board approves the application of the 'Commercial Trust and Savings Bank', Mitchell, South Dakota, for permission to exercise all fiduciary powers granted to it by the Department of Banking & Finance of the State of South Dakota in its certificate dated February 13, 1934, on the following conditions:

1. Such bank shall not invest trust funds held by it in obligations of the bank's directors, officers, employees or their affiliations or corporations affiliated with the bank.
 2. Except with the permission of the Federal Reserve Board, such bank shall not invest the funds of various trusts held by the bank in participations in pools of mortgage bonds or other securities, and the funds of all such trusts shall be invested separately from each other; provided, however, that the Federal Reserve Board will not object to the collective investment of small amounts of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary.
 3. If trust funds held by such bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.
- "You are requested to advise the Commercial Trust and Savings

9/12/34

-5-

"Bank, Mitchell, South Dakota, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting these conditions and forward a certified copy thereof to the Board.

"In giving consideration to this application, it has been noted that, while no detailed information in the premises has been furnished, it is stated in the analysis of the report of examination of the Commercial Trust and Savings Bank made as of January 6, 1934, that the stock of the bank and of The Commercial Company, which was organized primarily to remove criticized assets of the former, is owned by identical interests and 'that all stock is held under trusteeship.' It appears possible that the arrangement under which 'all stock is held under trusteeship' may be such that a holding company affiliate relationship within the meaning of section 2 (c) of the Banking Act of 1933, is involved and that such arrangement also may be contrary to the provisions of section 9 of the Federal Reserve Act, which provide that after June 16, 1934, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, with certain inapplicable exceptions, and that the ownership, sale or transfer of any such certificate shall not be conditioned in any manner upon the ownership, sale or transfer of a certificate representing the stock of any other corporation except a member bank. In the circumstances, you are requested, if you have not already done so, to determine whether the relationship between The Commercial Company and the Commercial Trust and Savings Bank referred to above still exists, and, if so, with the advice of your counsel, determine whether the provisions of the law herein referred to are applicable, and take appropriate steps in the premises. Please advise the Board of the disposition made of this matter."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Randolph National Bank', Randolph, Vermont, from \$75,000 to \$37,500, pursuant to a plan which provides that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in your memorandum of August 31, 1934."

Approved.

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

9/12/34

-6-

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'First National Bank and Trust Company of Amityville', Amityville, New York, from \$150,000 to \$37,500, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$200,000 of preferred stock to the Reconstruction Finance Corporation and/or others, and that the released capital, together with a portion of the bank's surplus and/or undivided profits, shall be used to eliminate all estimated losses and lower grade securities depreciation, all as set forth in your memorandum as of August 31, 1934."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Citizens National Bank of Henderson', Henderson, Texas, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate or reduce a corresponding amount of undesirable assets, all as set forth in your letter of August 29, 1934."

Approved.

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

"Reference is made to your letter dated August 24, 1934, regarding the application of the Farmers & Mechanics Trust Company, Childress, Texas, for a voting permit under the provisions of section 5144 of the Revised Statutes, as amended, which was filed for the purpose of enabling the Farmers & Merchants State Bank, Turkey, Texas, to obtain membership in the Federal Reserve System.

"It is understood from the statements in your letter that the First National Bank, Childress, Texas, was included in Exhibit A of the voting permit application as a subsidiary of the applicant because of the fact that Mr. J. M. Crews, a vice-president and director of the applicant and of the First National Bank, owns a majority of the stock in the applicant and in the First National Bank, and controls the election of a majority of the directors of both institutions by reason of such stock

9/12/34

-7-

"ownership. It is also understood that it was the view of your examiner and of Mr. Crews that the above facts would cause the First National Bank to be a subsidiary of the applicant under the Board's Regulation P, section II(e)(3), which provides that the term subsidiary includes any bank or other organization 'of which any corporation, business trust, association, or other similar organization controls in any manner the election of a majority of the directors, trustees, or other persons exercising similar functions'.

"In the opinion of the Board, the above described situation in which Mr. Crews owns a majority of the stock in the applicant and in the First National Bank does not constitute a subsidiary relationship within the meaning of the above-mentioned provision of Regulation P, unless the applicant controls the manner in which the stock owned by Mr. Crews in the First National Bank is voted. It is understood, however, that in the situation under consideration Mr. Crews controls both the applicant and the First National Bank and that the applicant does not control either directly or indirectly the stock in the First National Bank owned by Mr. Crews. It thus appears that, on the basis of the facts stated above, the First National Bank is not a subsidiary of the applicant within the meaning of any of the provisions of Regulation P. In the opinion of the Board no formal amendment need be made to Exhibit A of the voting permit application, but in considering the application the Board will disregard the name of the First National Bank as a subsidiary of the applicant, unless there are other facts which you feel should be called to the Board's attention.

"In your letter you state that the statement contained in Exhibit M of the voting permit application is not strictly accurate, for the reason that, although the stock certificates of the applicant, the First National Bank and the First Agricultural Live Stock Loan Company, Childress, Texas, do not represent shares in other companies, nevertheless, each stockholder of the three above-mentioned companies has signed a separate contract agreeing that he will dispose of his shares in all three of the above corporations at the same time and to the same individual. It is also understood that each new stockholder of the three corporations is required to sign such an agreement.

"However, the office of the Comptroller of the Currency has expressed an informal opinion that agreements between stockholders of a national bank that they will transfer their shares at the same time and to the same person to whom they transfer the stock of another corporation, do not constitute a violation of section 5139 of the Revised Statutes, as amended, so long as the stock certificate of the national bank bears no evidence of such agreements. Accordingly, since the interpretation of section 5139 is within the jurisdiction of the Comptroller of the Currency rather than of the Federal Reserve Board, no further action need be taken by you with regard to the above-mentioned

9/12/34

-8-

"agreements or to the statement in Exhibit M of the voting permit application."

Approved.

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

"This refers to your letter of August 17, 1934, in which you request an expression of the Board's opinion with regard to the question whether the Keystone View Company is an affiliate of the First National Bank, the Merchants National Bank and Trust Company and the Crawford County Trust Company, all of Meadville, Pennsylvania. Inclosed with your letter was a copy of a letter dated August 16, 1934, from Mr. Earl W. McGill, President of the Crawford County Trust Company, with reference to such question, together with a photostat copy of the voting trust agreement covering the shares of the Keystone View Company owned by Mr. B. L. Singley, and a photostat copy of the instrument appointing the First National Bank, Meadville, Pennsylvania, as agent of the voting trustees for the purpose of holding said shares in its trust department.

"It appears from the trust agreement that Mr. Singley is a debtor of the three above mentioned banks, and that the voting trust agreement was created in order to give the banks control of the Keystone View Company until the debts owed by Mr. Singley to the banks are paid. Under the terms of the agreement, the voting trustees vote the stock in accordance with the action of a majority of their number expressed from time to time at a regular meeting of the trustees. It is understood that the stock owned by Mr. Singley which is covered by the voting trust agreement constitutes a majority of the stock of the Keystone View Company.

"It is assumed that you desire an expression of the Board's opinion as to whether the Keystone View Company is an affiliate of the above mentioned banks within the meaning of section 2(b)(1) of the Banking Act of 1933, which provides that 'the term "affiliate" shall include any corporation, business trust, association, or other similar organization of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions; * * *'. It is also assumed that, except for the control exercised as a voting trustee, no one of the banks controls in any manner the election of a majority of the directors of the Keystone View Company.

9/12/34

-9-

"In the case under consideration, it appears that although the three banks, or any two of them, may control the stock of the Keystone View Company which is covered by the voting trust agreement, nevertheless, no one of the banks controls such stock. Accordingly, upon the basis of the facts stated above, it is the opinion of the Board that the Keystone View Company is not an affiliate of the three above mentioned banks, or any one of them, within the meaning of section 2(b)(1) of the Banking Act of 1933, and you may so advise Mr. McGill."

Approved.

Letter to Honorable I. J. Fulton, Superintendent of Banks,
Columbus, Ohio, reading as follows:

"Receipt is acknowledged of your letter of August 8, 1934, with regard to one of the standard conditions of membership prescribed by the Federal Reserve Board in connection with the admission of trust companies and State banks exercising trust powers to membership in the Federal Reserve System which is to the effect that, if the trust company deposits funds held in trust in its banking department, it shall deposit securities with its trust department to secure such trust funds. You called attention to the fact that, under the laws of Ohio, trust funds deposited with the banking department of a trust company or State bank exercising trust powers in that State, in the event of the insolvency or suspension of the institution, are treated as preferred deposits and the entire property and assets of the trust company are impressed with a trust for the payment thereof, and you inquired whether, in these circumstances, the Board would be willing to eliminate the standard condition of membership above referred to in the case of a trust company or State bank exercising trust powers in Ohio.

"The Board has heretofore had occasion to consider the question you presented and, in connection with your letter, it has given further careful consideration to this matter. As you know, under the general principles applicable to the administration of trust estates, a trustee may not use funds held in trust for his own purposes or benefit. Therefore, when by statutory law an institution exercising trust powers is authorized to deposit funds held in trust in its own banking department, it would seem that such institution should be required to furnish the fullest possible protection for such funds. In this connection, it may be noted that the Congress of the United States has authorized a national bank exercising trust powers to deposit in its banking department funds held in trust by the bank and awaiting investment but has required that in such case the bank shall first set aside in its trust department United States bonds or other securities approved by the Federal Reserve Board.

9/12/34

-10-

"As indicated above, the Board feels that a requirement of this kind giving full protection to the trust funds deposited in the banking department of the trust institution is sound and desirable. Accordingly, the Board has prescribed such a requirement as a standard condition of membership for State institutions exercising trust powers and applying for admission to membership in the Federal Reserve System, and the Board does not feel that it would be justified in the circumstances in making an exception in the case of such an institution even though in a particular State trust funds deposited in the banking department of the trust institution are made a preferred claim against the assets of the institution in the event of insolvency or suspension. Since it is assumed that in any case the trust funds deposited in the banking department would be held only for the limited period required for their investment or distribution, it would not seem that the requirement contained in the Board's standard condition would be unduly burdensome.

"In view of all the circumstances, therefore, the Board does not feel that it would be justified in eliminating the standard condition of membership referred to above in connection with the admission of trust companies and State banks exercising trust powers in Ohio to membership in the Federal Reserve System."

Approved.

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

"Inclosed is a copy of a letter dated August 16, 1934, from Mr. Leslie McMahon, Assistant Vice President of the City National Bank and Trust Company of Chicago, Chicago, Illinois.

"It appears that the transactions therein described involve the performance of 'ordinary banking functions' and that, in view of the definition of the phrase 'correspondent bank' in the Board's Regulation R, section 32 should not be deemed to be applicable to the relationships in question.

"It is therefore suggested that you advise Mr. McMahon accordingly, unless you differ with this conclusion or unless you know of other facts or circumstances which you believe should be called to the attention of the Board. Please advise the Board as to the disposition which you make of this matter."

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

9/12/34

-11-

"The Board has given consideration to the applications of Messrs. Charles A. McCloud, R. R. Copsey, George M. Spurlock, George H. Holdeman and T. W. Smith for permits under section 32 of the Banking Act of 1933 to serve various national banks and The First Trust Company of York, York, Nebraska.

"It appears that the business of The First Trust Company of York is the making of first mortgage real estate loans upon local property, acting as trustee and administrator of estates, acting as guardian of minors and conducting a general fire, tornado and automobile insurance business. It has been stated that the corporation has never dealt in stocks or bonds of any description and has never issued participation certificates against loans made by it and sold the same to the public, except that in connection with the handling of small trusts it has divided a few loans and issued participation certificates to the particular trusts.

"An examination of the type of certificate of participation which The First Trust Company of York sells shows that the certificate is in the nature of an assignment of part of a beneficial interest in a note and mortgage specifically described in the certificate, the certificate being designated as one of a series, all of which are equally secured, without any preference or priority, by the same note and mortgage. The participation certificate is said to be payable when collection is made on account of the principal, it is provided that at no time shall the certificates outstanding against the note and mortgage exceed the balance remaining unpaid thereon and there does not appear to be any right to substitute other security in place of the note and mortgage specified in the participation.

"In view of the foregoing facts and the other information which has been submitted in behalf of the applications, the Board believes that the certificates of participation which have been described are not 'securities' within the scope of section 32 and that The First Trust Company of York may not be regarded as being engaged primarily in the business of purchasing, selling, or negotiating 'securities' within the meaning of that section. In the circumstances a permit under section 32 is not necessary for the continuance of service to The First Trust Company of York and to a member bank. Therefore, unless there are other facts which you believe should be brought to the attention of the Board, it will be appreciated if you will advise the applicants accordingly."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and

9/12/34

-12-

that, upon the basis of the information before it, concurs in the agent's opinion and that of the Assistant Federal Reserve Agent at Cleveland that the permit should not be granted. The letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Mr. Louis R. Davidson, for permission to serve at the same time as a director of The Marine Trust Company of Buffalo, Buffalo, New York, and as a director of the First National Bank at Beaver Falls, Beaver Falls, Pennsylvania.

Approved.

Letter dated September 11, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, concurs in the agent's opinion that the issuance of the permit applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Mr. C. L. Robbins, for permission to serve at the same time as a director of The Union National Bank of Lenoir, Lenoir, North

9/12/34

-13-

Carolina, and as a director of the Lenoir Industrial Bank, Lenoir, North Carolina.

Approved.

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

Mr. J. G. Ballew, for permission to serve at the same time as a director of The Union National Bank of Lenoir, Lenoir, North Carolina, and as a director of the Lenoir Industrial Bank, Lenoir, North Carolina.

Approved.

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

Mr. Charles E. Mongan, for permission to serve at the same time as a director of The Somerville National Bank, Somerville, Massachusetts, and as a director and officer of the Somerville Trust Company, Somerville, Massachusetts.

Mr. Frank Zuber, for permission to serve at the same time as a director of The Chenango County National Bank and Trust Company of Norwich, Norwich, New York, and as a director of The National Bank of Oxford, Oxford, New York.

Mr. H. R. Megargel, for permission to serve at the same time as a director and officer of The First National Bank of Moscow, Moscow, Pennsylvania, and as a director and officer of The First National Bank of Newfoundland, Newfoundland, Pennsylvania.

Mr. Frank H. Strouss, for permission to serve at the same time as a director and officer of The Union National Bank of Mount Carmel, Mt. Carmel, Pennsylvania, and as a director and officer of The Dime Deposit Bank and Trust Company of Kulpmont, Kulpmont, Pennsylvania.

Approved.

Mr. Thomas stated that, in accordance with the decision reached at the Executive Committee meeting on September 5, 1934, he had discussed with the governors of Federal reserve banks who met in

9/12/34

-14-

Washington on September 6 as members of the legislative committee the suggestion contained in the letter received under date of August 30, 1934, from Mr. F. M. Law, President of the American Bankers Association, that a governors' conference be called in Washington on October 22-25, 1934, when the annual convention of the American Bankers Association will be held; that some of the governors had indicated that they planned to attend the convention; and that they felt it was not advisable to call a governors' conference. Mr. Thomas suggested that, if agreeable to the other members of the Board, he would advise Mr. Law that, as a number of the governors had indicated that they planned to attend the convention, and as there appears to be, at this time, no particular reason for calling a governors' conference on or about the dates mentioned, it has been decided to leave the matter of attendance at the convention for the decision of the individual governors.

Mr. Thomas' suggestion was approved.

The following draft of letter to Mr. W. L. Hemingway, President of the Mercantile-Commerce Bank and Trust Company of St. Louis, Missouri, was then presented:

"This refers to a letter of August 15, 1934, which the Federal Reserve Board has received from attorneys for the Mercantile-Commerce Bank and Trust Company of St. Louis, Missouri, Messrs. Thompson, Mitchell, Thompson and Young, with regard to whether that trust company has disposed of the stock of the Mercantile-Commerce National Bank of St. Louis in such a manner that it retains no interest therein.

"The Board has given careful consideration to the arguments presented by counsel for the Mercantile-Commerce Bank and Trust Company, but there does not appear to be any reason why the

9/12/34

-15-

"Board should make any change in its views with regard to this matter as expressed in the Board's letter to you of July 17, 1934. In that letter it was pointed out that the Board understood that the stock of the Mercantile-Commerce National Bank had been transferred to trustees; that certificates of beneficial interest in the trustee stock of the national bank had been issued to the shareholders of the Mercantile-Commerce Bank and Trust Company; that an option to purchase the stock of the Mercantile-Commerce National Bank at any time during the period covered by the trust agreement, which is twenty years, had been retained by the Mercantile-Commerce Bank and Trust Company; and that, for such twenty year period, the full voting rights in the stock of the national bank had been vested in the trustees, all of whom are directors of the Mercantile-Commerce Bank and Trust Company, rather than in the holders of the certificates of beneficial interest in the stock of the national bank. In these circumstances, it is the view of the Board that the Mercantile-Commerce Bank and Trust Company has not disposed of the stock of the Mercantile-Commerce National Bank in such a manner that it retains no interest therein.

"In connection with a statement of the Board contained in its letter of July 17, 1934, with regard to the voting rights in the stock of the national bank being vested in the trustees rather than in the holders of the certificates of beneficial interest, your counsel has stated that the trust created is irrevocable. However, it has been observed that Section 2 of Article VI of the trust agreement contains among other things the following provision:

'In the event that the Trust Company shall surrender its option, then the Trustees may, by unanimous consent, terminate this trust at any time before June 11, 1954.'

In connection with the discussion of the letter, consideration was also given to a letter dated August 24, 1934, from attorneys representing stockholders of the Mercantile-Commerce Bank and Trust Company voicing opposition to the method adopted by the trust company in divesting itself of the stock of the Mercantile-Commerce National Bank.

At the conclusion of the discussion, upon motion by Mr. Szymczak, the proposed letter to the Mercantile-Commerce Bank and Trust Company was approved, Mr. Thomas voting "no".

Consideration was given to a memorandum dated August 30, 1934, from Mr. Vest, Assistant Counsel, referring to the Board's letter of

9/12/34

-16-

March 1, 1934, to the Chairman of the Federal Deposit Insurance Corporation, with regard to differences between the Board's Regulation Q and the regulations of the Federal Deposit Insurance Corporation with reference to the payment of interest on deposits, and reviewing the consideration which had been given subsequently to the matter and the steps taken by members of the Board's staff in connection therewith. The memorandum stated further that, in view of the circumstances set forth, it seems improbable that any satisfactory and worthwhile results can be obtained from a conference of representatives of the Board with members of the staff of the Federal Deposit Insurance Corporation on this subject; and that it is respectfully suggested that no further steps be taken to bring about the proposed conference, at least for the time being. The memorandum stated also that the matter is submitted to the Board, however, for its consideration in view of the possibility that the Board may not agree with the view of its staff that the proposed conference with representatives of the Federal Deposit Insurance Corporation should not be held or the Board may desire to consult directly with the Chairman of the Federal Deposit Insurance Corporation with respect to the matter.

Upon motion by Mr. Hamlin, Vice Governor Thomas was requested to take the matter up with the Chairman of the Federal Deposit Insurance Corporation with a view to bringing the regulations of the Corporation into conformity with Regulation Q.

Mr. Thomas presented a letter received by him under date of September 7, 1934, from Governor Myers of the Farm Credit Administration, stating that the Administration has been advised that the Federal

9/12/34

-17-

Reserve Bank of St. Louis has notified the Farm Loan Registrars at St. Louis and Louisville and the Receiver of the St. Louis Joint Stock Land Bank that, effective September 1, 1934, it will make a charge for the safekeeping of securities deposited with the St. Louis bank for the account of the Farm Loan Registrars of the Fourth and Sixth Land Bank Districts and for the account of the Receiver of the St. Louis Joint Stock Land Bank, and that it is understood that the charge is to be at the rate of 50¢ per \$1,000 of bonds per annum. The letter reviewed the action taken in connection with similar bills rendered by the St. Louis bank in 1928 and 1929 as a result of which the bank had decided that at that time it would not charge for this safekeeping service, and stated that it will be appreciated if the Board will take the matter up with the Federal Reserve Bank of St. Louis again.

After discussion, the Secretary was requested to address a letter to the Federal Reserve Bank of St. Louis suggesting that it submit to the Board for consideration its views regarding the matter.

Mr. Szymczak stated that when he was in California recently he had talked with a number of bankers and with the directors of the Federal Reserve Bank of San Francisco in regard to the appointment of a successor to Mr. Newton as Chairman and Federal Reserve Agent at the Federal Reserve Bank of San Francisco, and that he had discussed the situation over the telephone yesterday with Mr. Miller, who requested that the matter be held in abeyance until he returns to Washington the latter part of September or early in October.

9/12/34

Thereupon the meeting adjourned.

Chester Merrill
Secretary.

Approved:

J. J. [Signature]
Vice Governor.