

A meeting of the Federal Reserve Board was held in Washington on Friday, September 14, 1934, at 2:30 p. m.

PRESENT: Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. James
Mr. Szymczak
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Wyatt, General Counsel
Mr. Cherry, Assistant Counsel

Mr. Thomas referred to the System Committee on Legislative Program recently appointed by the Board, consisting of Governor Harrison, as Chairman, and Governors Young, Norris, Fancher, Schaller, Black and himself and stated that, as the Federal reserve agents at their conference on May 7-9, 1934, had appointed a Committee for Study of Legislative Suggestions, consisting of Messrs. John N. Peyton, of Minneapolis, as Chairman, L. B. Williams, of Cleveland, and Oscar Newton, of Atlanta, which had done considerable work, he desired to suggest to the Board that the committees be consolidated by adding Messrs. Williams and Peyton to the System Committee on Legislative Program. Mr. Szymczak stated that, if such action is taken, he would suggest that, when the Chairman and Federal Reserve Agent at San Francisco is selected, consideration be given to placing him on the committee.

Upon motion by Mr. Hamlin, Messrs. Williams and Peyton were appointed members of the System Committee on Legislative Program, with the understanding that,

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when the Federal Reserve Agent at San Francisco is appointed, consideration will be given to his appointment on the committee.

There was then presented a memorandum dated September 11, 1934, from Mr. Goldenweiser, stating that at the meeting of the System Committee on Legislative Program on September 6, 1934, it was agreed to employ on a monthly basis Mr. Walter R. Stark, as technical assistant to the committee, with salary at the rate of \$750 per month, and that the appointment is being submitted to the Board by the committee with the recommendation that it be approved with the understanding that the expense involved will be allocated among the several Federal reserve banks.

Approved.

Some question having arisen as to the advisability of publishing in the Federal Reserve Bulletin the official documents issued in connection with the nationalization of silver, Mr. Goldenweiser stated that it has been the policy of the Federal Reserve Board for a number of years to publish in the Bulletin all documents and regulations issued by the United States Government and other governments relating to monetary matters; that the Bulletin has come to be relied upon as a source of such information; that the failure to publish such information in the Bulletin would be a departure from the established procedure and may cause unfavorable comment; and that he would be very reluctant to omit the documents and desired to recommend that the Board authorize their publication without comment in the next issue of the Federal Reserve Bulletin.

Upon motion by Mr. Hamlin, Mr. Goldenweiser's recommendation was approved.

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Mr. Morrill stated that Mr. Herman Oliphant, General Counsel to the Secretary of the Treasury, had called him on the telephone this morning and stated that he would like to discuss with him the questions raised at the hearing yesterday by representatives of the New York Stock Exchange and others in connection with the draft of regulation to be issued by the Federal Reserve Board with regard to the extension and maintenance of credit by brokers, dealers, and members of securities exchanges. Mr. Morrill said that, accordingly, he and Mr. Parry, of the Board's Division of Research and Statistics, went to Mr. Oliphant's office and discussed the matter with him and Mr. C. V. Opper, Assistant to the General Counsel to the Secretary; Mr. Oliphant stating that he had been called upon by the Secretary of the Treasury yesterday afternoon to give consideration to the September 5 draft of the proposed regulation and to advise the Secretary of the Treasury as Chairman of the Federal Reserve Board as to whether he should vote for the adoption of the regulation, and that he felt he should study the regulation personally before giving such advice. After an explanation by Mr. Parry of the questions involved in the views expressed at the hearing yesterday, during which Mr. Oliphant seemed to be particularly interested in the matter of the extent of the inconvenience and trouble and other difficulties that might be created by the adoption of the margin requirements set forth in the proposed regulation as compared with the present requirements of the New York Stock Exchange, the latter stated that he would not be in a position to discuss the regulation with the Secretary of the Treasury until next Tuesday, September 17; that he

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could make no commitment at this time on his own behalf or on behalf of the Secretary of the Treasury as to when they would be prepared to say what their attitude would be with regard to the regulation; and that he saw no way in which the regulation could be promulgated with the approval of the Secretary of the Treasury as a member of the Board before the 24th or 25th of September, and that the Secretary of the Treasury might not be ready at that time to pass on the matter.

Mr. Oliphant expressed the feeling, Mr. Morrill stated, that, in the circumstances, the regulation ought not to be issued to become effective October 1, for the reason that the intervening period would be too short a time for persons affected to become familiar with it, and he discussed the possibility of issuing a simple regulation containing margin requirements based on a single percentage calculation, which would be easily understood by the public and would comply with the requirements of the law, and which would be effective from October 1 to some later date in October to be fixed by the Board, when the final draft of regulation would become effective after an opportunity had been afforded to the public to become reasonably familiar therewith. Mr. Morrill added that he and Mr. Parry informed Mr. Oliphant of the great amount of work and effort which had been expended by members of the Board's staff in carrying on the preliminary work necessary for the preparation of the draft of regulation, with the view to action by the Board not later than September 15, and stated that it is believed that the general public is expecting the Board to adopt the statutory margin requirements; that, if they are not adopted, there may be some

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surprise on the part of those interested; and that, if the final regulation is not issued early next week the Board will be confronted with the question what steps it will take to meet the situation.

As Mr. Oliphant was about to have a conference on another matter, Mr. Morrill said, he and Mr. Parry at Mr. Oliphant's request, continued the discussion with Mr. Opper, and pointed out to Mr. Opper the fact that the announcement that a simplified regulation would be effective for a period in October would raise the question in the public mind as to what would be embodied in the permanent regulation as to margin requirements particularly, and that Mr. Opper realized the difficulty involved and expressed the thought that Mr. Oliphant might be willing to consider the question of the statutory margin requirements separately from the rest of the regulation and attempt to reach a conclusion thereon in the next few days.

Mr. Thomas stated that Mr. Oliphant had called him on the telephone this morning and had made a statement to him similar to that made to Messrs. Morrill and Parry; that he had called Mr. Oliphant's attention to the fact that the preliminary work in connection with the regulation had been performed by members of the Board's staff; that the draft of the regulation had not been discussed by the Board; and that, as soon as the final report of the staff is submitted, an invitation will be extended to Mr. Oliphant to discuss the draft with the Board.

During the discussion which followed, the members of the Board indicated that they were of the opinion that the regulation should be issued in its final form as promptly as possible, and Mr. Morrill

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stated that it is believed that the staff will complete its work and have a final draft ready for consideration by the Board on Monday, September 17.

Mr. Thomas suggested that the members of the staff working on the regulation be requested to place their final draft of the regulation in the hands of the Board as early as possible on Monday and that, if agreeable to the Board, he will call a meeting of the Board on that day, to which Mr. Cliphant will be invited, for the purpose of discussing the regulation.

Mr. Thomas' suggestion was approved.

Mr. Smead, Chief of the Division of Bank Operations, joined the meeting at this point, and there was presented a memorandum submitted by him to the Board under date of September 6, 1934, and previously circulated among the members of the Board, to which was attached a copy of the form of condition report on which had been indicated certain suggested changes for the Board's consideration in connection with the next call for reports of condition of State member banks. One of the suggested changes in the form provided for a memorandum item on the face of the statement entitled "Undeclared cumulative dividends on preferred stock to end of most recent dividend period, and/or unpaid interest on income capital notes and debentures to end of most recent interest period, not included in item 30 above".

Mr. James had noted on the memorandum that, while he favored the approval of the suggested changes in the form of condition report, he did so reluctantly, as he knew that continuous changes in the report

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are very annoying to member banks which are already disturbed over what they regard as government bureaucracy and constant nagging, and that, in his opinion, the Board's staff should be cautioned and asked to make as few changes as possible in the future.

There was also appended to the memorandum a letter from Mr. O'Connor to Mr. Thomas stating that he agreed fully with Mr. James' comments and that he objected to a change in the form of report to include the memorandum item above referred to for the reason that his office is making a careful study of the question of payment of dividends on preferred stock and that it is hoped that the item can be omitted from the report without serious embarrassment. Mr. O'Connor stated that he objected to the inclusion of the item in the form of report particularly for the reasons: (1) that it may have a retarding effect upon the program now being carried on to strengthen the capital of banking institutions, and (2) a great deal of criticism is coming into his office because of the number of reports and amount of information required from national banks. Mr. Smead stated that, for the reasons outlined in his memorandum, he believed the suggested change should be made in the form of report, but that the matter was one of policy for the decision of the Board.

Mr. O'Connor moved that the suggested changes recommended by Mr. Smead in the form of report of condition be approved, with the exception of the change providing for the insertion on the face of the report of the memorandum item above referred to.

Carried.

In connection with the above matter, Mr. Smead stated that the

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Comptroller of the Currency is contemplating combining in the form of report of condition for national banks the items of United States Government securities and securities guaranteed by the United States Government as to interest and/or principal, and that it is assumed that, if such a change is made in the Comptroller's form of report, the Board will desire to have a similar change made in the form of report for State member banks.

Mr. Smead was authorized to make a further change in the form of report for State member banks to combine the two items referred to in the event similar action is taken by the Comptroller of the Currency with regard to the form of report of condition of national banks.

At the request of Mr. Szymczak, Mr. Morrill reviewed briefly the steps being taken in connection with the sale to the Board by the Treasury Department of the property facing on Constitution Avenue, as a site for the Board's building, and stated that he is preparing a memorandum to Mr. Thomas with regard to the matter.

In this connection, a question was raised as to whether any steps should be taken at this time in connection with the selection of an architect for the new building, and Mr. Morrill stated that Mr. Miller, who is chairman of the Board's building committee, had informed him that he proposed to take this matter up upon his return to Washington the latter part of September or early part of October.

Consideration was then given to a number of Clayton Act applications on which members of the Board had indicated differences of opinion as to whether they should be granted, and the following actions were taken:

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Application of Mr. Charles M. Holmes, for permission to serve at the same time as a director of the State Street Trust Company, Boston, Massachusetts, as a director of The First National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Approved.

Application of Mr. James E. Stanton, Jr., for permission to serve at the same time as a director of The Merchants National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Approved.

Application of Mr. H. W. Taber, for permission to serve at the same time as a director and officer of The Merchants National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Approved.

Application of Mr. George F. Rand, for permission to serve at the same time as a director and officer of The Marine Trust Company of Buffalo, Buffalo, New York, as a director of The Marine Midland Trust Company of New York, New York, New York, and as a director of the Buffalo branch of the Federal Reserve Bank of New York, Buffalo, New York.

Approved, together with a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing Mr. Rand's permit and requesting the agent to withhold delivery of the permit until he is satisfied that the National Investors Corp. and the Fitrust Corp., with which the applicant is connected, are not "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 and that Mr. Rand is complying with the provisions of section 8A of the Clayton Act.

Application of Mr. Walter W. Schneckenburger, for permission to serve at the same time as an officer of The Marine Trust Company of Buffalo, Buffalo, New York, as a director of The Manufacturers National Bank of Troy, Troy, New York, and as a director of The Northern New York Trust Company, Watertown, New York.

Approved.

Application of Mr. George E. Becker, for permission to serve at

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the same time as an officer of The Marine Trust Company of Buffalo, Buffalo, New York, as a director of the Union Trust Company of Rochester, Rochester, New York, and as a director of the Niagara County National Bank and Trust Company, Lockport, New York.

Approved, together with a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing Mr. Becker's 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 Mr. Becker, he is authorized to transmit the Clayton Act permit to him. The letter also stated that, in view of all the circumstances, to which reference was made in the letter, and in view of the agent's recommendation, the Board has granted the permit with the understanding, however, that it shall be considered as of a temporary character; that the agent is requested to keep this matter in mind and advise the Board as soon as the interlocking relationships between the three banks may, in the agent's opinion, be terminated without adverse effect upon the interests of the banks and the communities in which they are located; and that, in any event, the agent is requested to review the permit not later than December 1, 1934, and at that time to submit his recommendation as to whether or not it should be revoked.

Application of Mr. F. B. Cooley, for permission to serve at the same time as a director of the Buffalo branch of the Federal Reserve Bank of New York, Buffalo, New York, and as a director of the Manufacturers and Traders Trust Company, Buffalo, New York.

Approved, together with a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing Mr. Cooley's permit and stating that it appears that the provisions of section 32 of the Banking Act of 1933 are applicable in connection with Mr. Cooley's service as director of the Manufacturers and Traders Trust Company, and as president of the Cooley Trading Company, Buffalo, New York, and that the delivery of the Clayton Act permit should not be made until it has been determined that Mr. Cooley's service with the Cooley Trading Company and the bank involved does not come within the provisions of section 32, or that his service with such institutions has been brought into conformity with the requirements of that section.

The Secretary was requested to address a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve

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Bank of New York, stating that the Board has given consideration to the application of Mr. Thomas C. Boswell, for permission to serve at the same time as a director of the Manufacturers Bank of Cohoes, Cohoes, New York, and as a director of The Manufacturers National Bank of Troy, Troy, New York, and that, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest, and requesting 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.

Application of Mr. E. Blunn Covert, for permission to serve at the same time as a director and officer of The National Bank of Watervliet, Watervliet, New York, and as a director of the Troy Prudential Association, Inc., Troy, New York.

Approved, together with a letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing Mr. Covert's permit; suggesting that the agent advise the applicant of the Board's views as expressed in the letter with regard to attendance at directors' meetings; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to Mr. Covert's attendance at directors' meetings during 1934.

The Secretary was requested to address a letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, stating that the Board has given consideration to the application of Mr. LeRoy A. Goodwin, for permission to serve at the same time as a director of the First Camden National Bank and Trust Company, Camden, New Jersey, and as a director and officer of the Gloucester City Trust Company, Gloucester City, New Jersey, and that, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest, and requesting 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.

Application of Mr. T. L. Montgomery, for permission to serve at

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the same time as a director and officer of the Ohio State Bank, Frazeyburg, Ohio, and as a director and officer of the Coshocton National Bank, Coshocton, Ohio.

Approved.

Application of Mr. R. Q. Baker, for permission to serve at the same time as a director and officer of the Ohio State Bank, Frazeyburg, Ohio, and as a director and officer of the Coshocton National Bank, Coshocton, Ohio.

Approved.

Applications of Mr. Charles R. Hook, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio;

Mr. M. W. Renick, for permission to serve at the same time as a director and officer of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director and officer of The American Trust and Savings Bank, Middletown, Ohio; and

Mr. A. H. Walburg, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director and officer of The American Trust and Savings Bank, Middletown, Ohio.

Approved, together with a letter to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"There are inclosed for your files copies of the Clayton Act permits issued by the Board to Mr. M. W. Renick, Middletown, Ohio, and to nine others, to serve at the same time as directors and/or officers of The First and Merchants National Bank of Middletown and of the American Trust and Savings Bank, both of Middletown, Ohio.

"In considering Mr. Renick's application it was noted that his personal loans in The First and Merchants National Bank had been criticized in the report of examination of December 19, 1933, as having been steady and continuous over a long period, the collateral being distinctly substandard. The report of examination of The First and Merchants National Bank as of April 23, 1934, which was not available at the time your office submitted this application, showed that during the examination the applicant's loan of \$11,700 was reduced \$7,200 through the execution of a first mortgage loan by the applicant's daughter. The balance of \$4,500 is now considered by the examiner as safe.

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"The apparent abuse of the bank's credit facilities by the applicant appears to have been the basis for your recommendation that the permit be refused. It was noted that the applicant has materially improved the status of his debts to the bank; that the applicant has been a director of both banks for many years, being at present chairman of the board of both banks; that his services were said to have resulted in no restriction of credit; that he has been regular in his attendance at board meetings; and that your comments in answer to questions 9, 16 and 19 Form 94b, indicate that the applicant is a banker of many years' experience and should add strength to the management of the two banks.

"The Board has noted the unsatisfactory condition of the State member bank, that the management of both banks needs strengthening, the apparent laxity in effecting collection of collateral loans, the undue concentration of loans on stocks and bonds, particularly loans on stocks of the Sorg Paper Company in which certain directors are interested, but in all the circumstances, the Board feels that it would be preferable to grant the permits to Mr. Renick and the nine others in order to avoid any unnecessary misunderstanding by the community which might prove detrimental to the best interests of both banks.

"The Board suggests, however, that you endeavor, in cooperation with the chief national bank examiner of your district and the State banking authorities, to bring about a strengthening of the management of both banks, to expedite the program for the rehabilitation of the State bank and the correction of the conditions which have given rise to the examiner's criticisms, particularly with respect to the credit policies that have resulted in laxity in the collection of loans and the undue concentration of loans secured by stocks of the Sorg Paper Company in which directors and officers are interested.

"The Board also desires that when you submit your recommendations as a result of your annual review of these permits, you report fully as to the progress made in bringing about an improvement in the management, the credit policies and the condition of each of these banks."

The seven other applications referred to in the above letter, on which no question had been raised as to whether they should be granted, and all of which were approved, were as follows:

Mr. L. C. Anderson, for permission to serve at the same time as a director and officer of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director and officer of The American Trust and Savings Bank, Middletown, Ohio.

Mr. George Brown, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown,

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Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. Carleton Eldridge, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director and officer of The American Trust and Savings Bank, Middletown, Ohio.

Mr. E. T. Gardner, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. C. B. Niederlander, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director and officer of The American Trust and Savings Bank, Middletown, Ohio.

Mr. E. F. Shively, for permission to serve at the same time as a director and officer of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. C. W. Verity, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

The following letter to Mr. Hoxton,
Federal Reserve Agent at the Federal
Reserve Bank of Richmond, was approved:

"The Board has given consideration to the application of Mr. Chester F. Hockley, 200 Scott Street, 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 Equitable 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.

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"Hockley 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 Industrial Finance and Mortgage Corporation, Baltimore, Maryland, the business of which is described as 'mortgages and collateral loans under R. F. C. plan'. Furthermore, in reply to question numbered 13 on the same form the applicant lists the company as an organization which makes loans secured by stock or bond collateral. While the Board does not have detailed information regarding the exact nature of the business carried on by The Industrial Finance and Mortgage Corporation, it does not appear that the company is a banking institution within the meaning of the Clayton Act. In the circumstances, if the latter company is not such a banking institution, the applicant may not serve as director of a national bank and as director of The Industrial Finance and Mortgage Corporation since the relationship involved comes within the prohibitions of Section 8A of the Clayton Act and the Board is not authorized to issue a permit for the continuance of such relationship.

"Therefore, it is suggested that you ascertain whether The Industrial Finance and Mortgage Corporation is a banking institution within the meaning of the Clayton Act. If you find that it is such an institution, you are requested to advise Mr. Hockley of the requirements of Section 8A of the Clayton Act and to notify him that he may file an application for a permit covering his service to that company and to either of the member banks, covered in his application, which he may elect to continue serving. However, if you find that The Industrial Finance and Mortgage Corporation is not a banking institution, you are requested to notify Mr. Hockley that he may not continue to serve as a director of that company and as a director of the Baltimore National Bank since the relationship is prohibited

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"by Section 8A.

"Of course, if upon a consideration of the facts involved, with the advice of your counsel, you are unable to determine whether The Industrial Finance and Mortgage Corporation is a banking institution within the meaning of the Clayton Act, 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."

Application of Mr. L. C. Hagler, for permission to serve at the same time as a director of The American National Bank of Pensacola, Pensacola, Florida, and as a director of The First Bank & Trust Company of Pensacola, Pensacola, Florida.

Approved.

Application of Mr. W. C. Anderson, for permission to serve at the same time as a director and officer of The First National Bank in Harriman, Harriman, Tennessee, and as a director of The First National Bank of Oneida, Oneida, Tennessee.

Approved, together with a letter to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, inclosing the Clayton Act permit for transmittal to Mr. Anderson, and requesting that the agent advise the applicant of the Board's views as expressed in the letter with regard to attendance at directors' meetings, and that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to Mr. Anderson's attendance at directors' meetings during 1934.

Applications of Mr. T. G. Turner, for permission to serve at the same time as a director and officer of The City National Bank of Council Bluffs, Council Bluffs, Iowa, and as a director and officer of the Farmers and Merchants State Bank, Neola, Iowa, and

Mr. Robert W. Turner, for permission to serve at the same time as a director and officer of The City National Bank of Council Bluffs, Council Bluffs, Iowa, and as a director of the Farmers and Merchants State Bank, Neola, Iowa.

Approved, together with a letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"There are inclosed the originals and copies of the Clayton Act permits issued by the Board to Messrs. T. G. Turner and

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"Robert W. Turner, Council Bluffs, Iowa, to serve at the same time as officers and directors of The City National Bank of Council Bluffs, Council Bluffs, Iowa, and the Farmers and Merchants State Bank, Neola, Iowa, for transmittal by you to the applicants and to the two banks, together with copies for your files.

"In considering these applications it was noted that the State bank was reorganized in December, 1933, under a plan requiring a waiver of 40% of deposits; that the examination report of the national bank as of May 8, 1934 showed that a loan of \$5,000 to Mr. T. G. Turner had been previously charged off and his remaining obligation of \$3,000 was classified as slow; that loans of \$11,277.35 to Mr. Robert W. Turner had been previously charged off; that loans had been made to relatives of these applicants and to other directors and/or their interests which were in excess of the legal limits and that a substantial portion of these also were classified as slow; and that the bank had indulged in the practice of advancing funds to pay taxes and running expenses in connection with the trust account of the sister of Mr. T. G. Turner. The Board feels strongly that transactions with directors and officers and their relatives should be at all times free from criticism, and requests that in transmitting the permits you advise the applicants accordingly.

"It appears that the applicants have served the banks for a considerable length of time and have contributed in the past to remove objectionable assets from the banks. It also appears that members of the Turner family own 40% of the stock of the national bank and 34% of the stock of the State bank and, although they are said to be in somewhat strained financial circumstances, apparently they enjoy the utmost respect of the communities. It further appears that there are only six stockholders of the Farmers and Merchants Bank, and that the present five directors are the only stockholders who qualify as such.

"In all the circumstances the Board hesitated to grant the permits, but after consideration decided to grant them in order to avoid any unnecessary misunderstanding which might prove detrimental to the best interests of both institutions. It suggests, however, that you endeavor in cooperation with the District Chief National Bank Examiner, to bring about an improvement in matters criticized by the examiner. The Board also suggests that when you submit your recommendation as a result of your annual review of these permits, you report fully as to the current status of the borrowings of the applicants and the other officers and directors of the national bank."

Applications of Mr. J. B. Crawford, for permission to serve at the same time as a director and officer of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as a director of the Ithaca Savings Bank, Ithaca, Michigan;

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Mr. Lynn T. Miller, for permission to serve at the same time as a director and officer of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as a director and officer of the Ithaca Savings Bank, Ithaca, Michigan;

Mr. J. Lee Potts, for permission to serve at the same time as a director of The Commercial National Bank of Ithaca, Ithaca, Michigan, as a director and officer of the Ithaca Savings Bank, Ithaca, Michigan, and as a director of the Pompeii State Bank, Pompeii, Michigan;

Mr. John C. Hicks, for permission to serve at the same time as a director and officer of The St. Johns National Bank, St. Johns, Michigan, as a director and officer of the Clinton County Savings Bank, St. Johns, Michigan, and as a director and officer of The Commercial National Bank of Ithaca, Ithaca, Michigan;

Mr. Robert G. Allison, for permission to serve at the same time as a director of The St. Johns National Bank, St. Johns, Michigan, and as a director of the Clinton County Savings Bank, St. Johns, Michigan;

Mr. O. P. DeWitt, for permission to serve at the same time as a director and officer of The St. Johns National Bank, St. Johns, Michigan, and as a director and officer of the Clinton County Savings Bank, St. Johns, Michigan;

Mr. R. C. Dexter, for permission to serve at the same time as a director and officer of The St. Johns National Bank, St. Johns, Michigan, and as a director and officer of the Clinton County Savings Bank, St. Johns, Michigan; and

Mr. Coleman C. Vaughan, for permission to serve at the same time as a director and officer of The St. Johns National Bank, St. Johns, Michigan, and as a director and officer of the Clinton County Savings Bank, St. Johns, Michigan.

Approved, with the understanding that an appropriate letter will be addressed to the Federal Reserve Agent at Chicago with regard to the matters criticized in connection with the applications.

Application of Mr. George S. Hovey, for permission to serve at the same time as a director and officer of The Inter-State National Bank of Kansas City, Kansas City, Missouri, as a director and officer of the Bank of Horton, Horton, Kansas, and as a director of the Morris Plan Company of Kansas City, Kansas City, Missouri.

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Approved, together with a letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"There are inclosed the Clayton Act permit and copies thereof issued by the Board to Mr. George S. Hovey, Kansas City, Missouri, covering his service as director and officer of The Inter-State National Bank of Kansas City, Kansas City, Missouri, director and officer of Bank of Horton, Horton, Kansas, and director of Morris Plan Company of Kansas City, Kansas City, Missouri, for transmittal by you to Mr. Hovey and the three banks, together with a copy for your files. There are inclosed for similar disposition the Clayton Act permits and copies thereof issued to Messrs. David T. Beals, John J. Noone, and W. H. Burks, all of whom are officers and/or directors of The Inter-State National Bank of Kansas City.

"It has been noted from information furnished by your office and also contained in the report of examination of The Inter-State National Bank of Kansas City as at January 30, 1934, that the management of President Hovey had been criticized, particularly for his use of the bank's affiliates for the removal of criticized assets to hide the bank's true condition. It has been noted also that the national bank examiner stated that President Hovey is hopelessly involved.

"The Kansas Banking Department reported that the condition of the Bank of Horton was unsatisfactory but that it was hopeful Mr. Hovey might take the lead in rehabilitating that institution. However, in view of Mr. Hovey's involved personal affairs as reported by the examiner, and the history of the First National Bank, Highland, Kansas, which suspended April 25, 1932, while Mr. Hovey was director and inactive vice president, Mr. Hovey may experience some difficulty in rendering financial assistance to the Horton bank, to the extent hoped for by the Kansas Banking Department.

"Although much of the information available regarding the applicant is unfavorable, the Inter-State National Bank of Kansas City, which he manages, appears to be in fairly good condition insofar as sufficient capital structure is concerned. And while the facts would seem to support your opinion that the applicant's continued service should be beneficial to the communities, the Board suggests that you endeavor, in cooperation with the appropriate supervisory authorities, to bring about a correction of the conditions which have given rise to the examiner's criticisms. Although the national bank examiner's criticisms were directed mainly at President Hovey, it does not seem improbable that Messrs. Beals, Noone and Burks, as officers and/or directors of The Inter-State National Bank of Kansas City, are also partially responsible for the criticized practices in that bank.

"Therefore, when you submit your recommendations, as a result

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"of your annual review of these permits, the Board requests that you report fully as to the progress made in the correction of the management and condition of The Inter-State National Bank of Kansas City as well as that of the Bank of Horton."

The three other applications referred to in the above letter, advice of approval of which was contained therein, were as follows:

Mr. David T. Beals, for permission to serve at the same time as a director and officer of The Inter-State National Bank of Kansas City, Kansas City, Missouri, and as a director and officer of The First National Bank of Carrizozo, Carrizozo, New Mexico.

Mr. John J. Noone, for permission to serve at the same time as a director and officer of The Inter-State National Bank of Kansas City, Kansas City, Missouri, and as a director of The Cloud County Bank, Concordia, Kansas.

Mr. W. H. Burks, for permission to serve at the same time as a director and officer of the Security State Bank, Wellington, Kansas, as a director of The Home National Bank of Arkansas City, Arkansas City, Kansas, and as a director of The Inter-State National Bank of Kansas City, Kansas City, Missouri.

Application of Mr. Walter E. Buck, for permission to serve at the same time as a director of The Anglo California National Bank of San Francisco, San Francisco, California, and as a director of The San Francisco Bank, San Francisco, California.

Approved.

Application of Mr. J. Harold Dollar, for permission to serve at the same time as a director and officer of the First National Bank in San Rafael, San Rafael, California, as a director and officer of the Bank of San Rafael, San Rafael, California, and as a director of The San Francisco Bank, San Francisco, California.

Approved.

The minutes of the meetings of the Federal Reserve Board held on June 23, 26, 27, 28, 29, and 30, and July 2, 12, 13, and 17, 1934, were approved.

The minutes of the meetings of the Federal Reserve Board with the Federal reserve agents and the governors of the Federal reserve

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banks, held on June 25, 26, and 27, 1934, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 3, 6, 9, 19, 20, 21, 24, 26, and 31, and August 1, 2, 3, and 6, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Letter dated September 13, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated September 13, 1934, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, and September 14, 1934, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. L. F. Sailer, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the action taken by your board of directors, advice of which is contained in your letter of September 6, 1934, the Board approves the temporary employment by your bank, with salary at the rate of \$350 per month, of Mr. E. F. Abell as an equipment engineer in connection with the construction of the addition to and the alteration of your bank building."

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter of September 10, the Board approves

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"payment of salary at the rate of \$4,500 per annum to Mr. Milton C. Smith who has been employed in connection with the administration of the Securities Act, subject to the directions and decisions of the Federal Reserve Agent. It will be appreciated if you will advise the Board the date Mr. Smith's appointment becomes effective and furnish it with a personnel classification plan page (Form A) covering his position."

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"The Federal Reserve Board has received your letter of September 6, 1934, and, in accordance with the recommendation contained therein, approves the appointment, effective September 1, 1934, of Mr. Wm. E. Peterson as chief examiner in Federal Reserve Agent's department of your bank at salary rate of \$4,000 per annum.

"Please advise if Mr. Peterson is to continue in the capacity of Acting Assistant Federal Reserve Agent."

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of September 6, 1934, with regard to the circumstances of the employment of Mr. L. D. Reak in the industrial loan department of your bank and his service as manager and director of the Superior Brick Corporation.

"On the basis of the information contained in your letter, particularly with regard to the uncertainty as to the future of the industrial loan department of your bank and Mr. Reak's position therein, the Board interposes no objection to his retaining his official connection with the Superior Brick Corporation while in the employ of your bank, or to his maintaining his office as public accountant, with the understanding that you will keep in touch with the matter and take such steps as may be necessary in the event the outside official connection or outside activities of Mr. Reak at any time affect adversely his service to your bank or involve any financial or other relations that would prove embarrassing to the Federal Reserve Bank of Minneapolis, and that, at the end of six months, if no action is taken

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"by you in the meantime, you will submit a report to the Board as to the status of the matter."

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 28, 1934, transmitting a certified copy of a resolution adopted on August 21, 1934, by the Board of Directors of 'The Commercial Savings Bank Company', Galion, Ohio, authorizing the withdrawal of the bank from membership in the Federal Reserve System, together with a letter dated August 21, 1934, from Mr. E. B. Beall, cashier of the bank, setting forth the reasons for the action.

"It appears that the notice of withdrawal was received in your office on August 27, 1934. At the expiration of six months from that date, therefore, upon the surrender of the Federal reserve bank stock held by The Commercial Savings Bank Company, the Federal Reserve Bank of Cleveland is authorized to make appropriate refund thereon.

"Although notice of withdrawal has been filed, so long as the bank remains a member of the System it, of course, enjoys the rights and is subject to the legal provisions and regulations applicable to member banks and to the conditions of membership accepted at the time of admission to membership. In this connection it has been noted that you have been advised that the violations of section 23A of the Federal Reserve Act as reported by your examiner in the report of examination made as of June 21, 1934, will be corrected. It has been noted, also, that since December 26, 1933, date of the examination made in connection with the application for membership, the bank had made substantial investments in common stocks. Inasmuch as these purchases were not reported as a violation of section 9 or of condition of membership numbered 7, it is assumed that no such purchases were made since May 31, 1934, date of admission to membership. It is assumed, also, that no such purchases were made by the bank in anticipation of membership following receipt by the bank of the Board's letter of May 1, 1934, setting forth the conditions of membership. Definite advice, however, in this respect will be appreciated.

"Your examiner has expressed the opinion that the dominating influence of Mr. Beall in the management is not conducive to the best interests of the bank by reason of his outside affiliations and speculative tendencies. It will be appreciated if you will advise the Board what action, if any, is desirable in the circumstances.

"Among the matters criticized by the examiner was the

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"unauthorized borrowing by the bank and pledging as security for public deposits of bonds amounting to \$4,100 left with the bank for safekeeping by the Guaranty Savings and Loan Company, an affiliate. Such practices, of course, cannot be tolerated, and it is assumed that the bank complied with the instructions of your examiner to restore the bonds immediately to safekeeping and gave assurances that such practices would not be resorted to in the future."

Approved.

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

"In your letter dated August 28, 1934, regarding the application of The Commercial Savings Bank Company, Galion, Ohio, for withdrawal from the System, you raised the general question of assessment of charges for examinations. As you may have been advised, the Board, after considering the report of the Federal Reserve Agents' Committee on Uniform Examination Charges adopted at the conference in June, 1934, decided to defer further action on the report in order that more study might be given to the subject of examination charges. Questions as to the costs of examinations and as to the extent of participation and procedure to be followed in joint examinations with the State authorities were included at the Board's request in the program of the conference of Assistant Federal Reserve Agents and Trust Examiners called for September 10, 1934.

"The Board has given careful consideration to your comments regarding the assessment of charges for examinations and before final action is taken on the matter will be glad to discuss the general question with you. It is suggested, if you have not already done so, that you communicate your views in this matter to Mr. Stevens, Chairman of the Conference of Chairman and Federal Reserve Agents, and to Mr. Wood, Chairman of the Committee on Uniform Examination Charges.

"In his letter of August 11, 1934, transmitting the report of examination of The Commercial Savings Bank Company, Galion, Ohio, as of June 21, 1934, Mr. Fletcher stated that costs of the examination amounting to \$131.63 had been assessed against the bank in accordance with instructions from the Board. The Board's letter of July 26, 1930, X-6665, included the following instructions with regard to charges for examinations:

'If a State examination is unsatisfactory, and an investigation will not provide sufficient information upon which the agents may act intelligently, a complete examination should be made for which the member bank should be charged. It is realized, however, that in some instances

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"unusual circumstances may exist which would warrant the Board's exercising the discretion vested in it under the recent amendment and waiving charges for specific examinations. Any case which, in the opinion of the Federal reserve agent, warrants such special consideration should be submitted to the Board in advance, with a complete statement of the reasons why it is considered desirable to have the examination charges waived by the Board. Examinations of State banks incident to their admission to membership in the System may be made without charge."

"Under these instructions provision is made for the waiving of charges in certain cases. If you feel, therefore, that in any particular case the charges for an examination should be waived, it is suggested that you submit the matter to the Board in accordance with the procedure outlined above."

Approved.

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

"There is inclosed herewith copy of a letter addressed to the Board's General Counsel by Mr. A. D. Christian with regard to whether the American Bank and Trust Company, Richmond, Virginia, obtained the approval of the Federal Reserve Board to acquire stock of the West End Bank, Richmond, Virginia.

"You will recall that when the American Bank and Trust Company was admitted to membership in the Federal Reserve System, the Board prescribed the following condition, among others:

'Except after applying for and receiving the permission of the Federal Reserve Board, you shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company.'

"After its admission to membership, the American Bank and Trust Company acquired stock of the West End Bank without first obtaining the approval of the Federal Reserve Board and, after considerable correspondence regarding this matter, the American Bank and Trust Company absorbed the West End Bank.

"You will note from the inclosed copy of the letter of Mr. Christian that he has been unable to locate in the files of the American Bank and Trust Company any correspondence with regard to whether or not the Board's approval of the purchase of the stock of the West End Bank was obtained. It will be appreciated if you will discuss this matter with the Receiver for the American Bank and Trust Company, or his attorney, and the Board has no objection to your furnishing such Receiver or attorney with copies of any correspondence regarding the matter between your office and the American Bank and Trust Company. It is suggested

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"that, in the absence of further advice from the Board, you do not furnish the Receiver or his attorney with copies of correspondence between your office and the Board regarding the matter. Mr. Christian is being advised that his inquiry has been referred to you."

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to the "Pacific National Bank of San Francisco", San Francisco, California, reading as follows:

"The Federal Reserve Board has given consideration to your supplementary fiduciary application and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, 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 California, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

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

Approved.

Letter dated September 13, 1934, approved by four members of the Board, 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 Union National Bank of Troy', Troy, New York, from \$300,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$600,000 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, undivided profits and reserves, shall be used to eliminate all estimated losses and depreciation in lower grade securities, all as set forth in your memorandum of August 28, 1934.

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"In considering the plan under which the reduction in common capital is to be effected, it was noted that your examiner severely criticized the management as well as the very unsatisfactory condition of the bank. It is assumed, however, that you have these conditions in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Memorandum dated September 6, 1934, from Mr. Smead, Chief of the Division of Bank Operations, submitting a copy of Form 56, Application for Additional Stock, and recommending that the proposed changes indicated thereon be approved by the Board. The memorandum stated that the changes are designed primarily to provide printed captions for capital notes or debentures sold to the Reconstruction Finance Corporation and for preferred stock, and that the other changes in the form are for the purpose of simplifying the preparation of the application and of facilitating its checking at the Federal reserve banks and at the Board's offices. The recommendation was approved by four members of the Board on September 13, 1934.

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Robert Emerson Minnich, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of July 23, 1934, in which you request to be advised whether sections 5(c) and 16 of the Banking Act of 1933 prohibit a State member bank of the Federal Reserve System from being a member of a stock exchange.

"On the basis of facts involved in the case of two State member banks, the Board has taken the position that there was no reason to require such State member banks to discontinue their associate memberships in a stock exchange. However, the Board has not attempted to lay down any general rule with regard to

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"membership in stock exchanges by State institutions which are members of the Federal Reserve System and the Board's ruling in any particular case would depend upon all of the facts involved in that case. Accordingly, in connection with any inquiry of the kind described above addressed to you, it will be appreciated if you will suggest to your correspondent that it discuss the matter with the Federal Reserve Agent of the Federal reserve bank of the district in which it is located in the light of all the facts involved in the particular case."

Approved.

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

"Referring to your letter of September 4, insofar as such data come to your attention through your activities in the industrial loan field, the Board would be glad to have you keep it as fully advised as practicable with respect to industrial loans made by financing institutions that would probably not have been made had the Federal Reserve banks no authority to make such loans. The Board does not expect you to make any special inquiry of financing institutions with respect to the amount of industrial loans or commitments to make such loans which they may have granted to their customers."

Approved.

Letter dated September 13, 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:

"Receipt is acknowledged of Mr. Dillistin's letter of August 28, 1934, with further reference to the application of Mr. Henry W. Ford, under the provisions of section 32 of the Banking Act of 1933 for permission to serve at the same time as director of First National Bank, Morristown, New Jersey, and as a partner of Ford, Heald & Co., New York, New York.

"Mr. Ford's letter of August 1, 1934, a copy of which was inclosed, states that, in acting as specialists on the New York Curb Exchange, it is necessary for the firm to buy and sell odd lots and that, in order to protect its position after such transactions have been made, the firm sells or buys shares in lots of 100 or multiples thereof in order to reduce its position in the stock in question to the smallest amount possible by this method. It appears therefore that, in connection with these transactions, the firm is neither trading in the stock in

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"question nor taking a position in it except to the extent made necessary by the fact that it deals in odd lots and cannot complete the transactions by purchases and sales on the floor of the exchange except to the nearest 100 share amount.

"On the basis of these facts, it appears that the firm is not purchasing and selling securities for its own account except to such extent as may be necessary in connection with its dealings in odd lots, and it does not seem that such purchases and sales by a brokerage firm should be held to make the provisions of section 32 applicable to it.

"Mr. Ford's letter also states that the firm acts as clearing agents for other specialists and that if, as a result of these transactions, the position of another specialist happens to be long, thus causing a debit balance in the clearing account, 'Ford, Heald & Company make loans for them. If it so happens that there is a surplus of cash in the firm at the time an account has a debit, they might use that surplus to cover the debit.'

"If this statement is correctly understood, it means that, although Ford, Heald & Co. occasionally negotiates loans on behalf of other specialists in connection with the clearing of transactions for them, the firm also advances its own funds on the security of stocks. If this understanding is correct, the provisions of section 8A of the Clayton Act would be applicable to the relationships in question since the provisions of that section apply generally to all loans secured by stock or bond collateral, regardless of the purpose for which they are made.

"It is accordingly suggested that, after satisfying yourself as to the facts, you advise the applicant regarding the applicability of section 8A of the Clayton Act to the relationships in question, in the light of the principles stated in the concluding paragraph on page 245 of the Federal Reserve Bulletin for April 1934."

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Oscar Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"In connection with the Clayton Act application of Mr. F. P. Fleming covering his service as director of The Barnett National Bank of Jacksonville and as director of The Morris Plan Company of Jacksonville, both of Jacksonville, Florida, the question was raised as to the applicability of section 32 of the Banking Act of 1933 to his service as trustee of the B. H. Barnett Trust; and you have forwarded to the Board with

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"your letter of July 21, 1934, a copy of Mr. Fleming's letter of July 20, 1934, giving information regarding this matter.

"It appears that, in 1911, Bion H. Barnett conveyed to three trustees, of whom Mr. Fleming was and still is one, certain shares of stock and certain promissory notes to be held by the trustees, the income thereof to be collected and the net proceeds to be paid to Bion H. Barnett and, after his death, to his widow, if then living, and thereafter the trust fund to be divided among his named children. The trustees have the power of investment and re-investment and have exercised this power from time to time. However, Mr. Fleming states that the investments of the trust change but little.

"Section 32 forbids the service of an officer or director of a member bank as 'an officer, director, or manager of any corporation, partnership, or unincorporated association' engaged in the business therein referred to. On the basis of the information submitted, it appears that the B. H. Barnett Trust is not included within any one of these classifications.

"It is therefore unnecessary to consider the further question whether the B. H. Barnett Trust is 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of section 32, although it would seem that the trust is probably similar in its purposes and activities to the corporation referred to in the Board's letter of December 22, 1933 (X-7739), and that it is not engaged actively in buying and selling securities.

"Therefore, unless there are other facts which you believe should be called to the Board's attention, it is requested that you advise Mr. F. P. Fleming that section 32 of the Banking Act of 1933 is not applicable to his service as trustee of the B. H. Barnett Trust and as director of a member bank."

Approved.

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

"Receipt is acknowledged of Mr. Young's letter of September 8, 1934, and inclosed copy of a letter dated September 7, 1934, from Mr. G. C. Williams, Executive Vice President of the State Bank and Trust Company, Evanston, Illinois, with further reference to the application of Augustus Knight under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as a director of that bank and as president of Bartlett, Knight & Company, Chicago, Illinois.

"It is noted that the officers and directors of the bank value Mr. Knight's services very highly and feel that it would be impossible under present conditions to replace him with any one who would be as useful to the bank. However, the Board agrees

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"with Mr. Young's conclusion that Mr. Williams' letter does not contain anything which would lead it to change the conclusion previously reached in connection with this application.

"As you are of course aware, the position taken by the Board in its letter to the applicant dated May 15, 1934, a copy of which was forwarded to you, was the same as that taken with respect to other applications in which similar circumstances were present, and was adopted in order to give effect to the purposes which the Board believes Congress had in mind in enacting section 32. It appears that it was the general purpose of Congress in enacting that section to terminate relationships of the types described therein between member banks and dealers in securities, apparently because it was thought that such relationships might have a tendency to influence the credit and investment policies of member banks in a manner which Congress did not consider compatible with the public interest. In view of the policy thus declared by Congress, the Board feels that, except in unusual cases which are not within the class contemplated by the statute, it should not issue permits authorizing relationships which are within the prohibitions of the section.

"Therefore, in the event that you deem it necessary to communicate with Mr. Williams, you may feel that it is advisable to make it clear that the denial of Mr. Knight's application is not based upon the belief that the interlocking relationship covered by his application has actually resulted in any of the undesirable practices which Congress sought to prevent by the enactment of section 32; but its action is based upon the fact that the relationship is one of the type which Congress sought to terminate in order to guard against the possibility that, in the future, such relationships might have a tendency to affect the credit and investment policies of member banks."

Approved.

Letter dated September 13, 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. Preston:

Mr. Elwyn G. Preston, for permission to serve at the same time

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as a director of The Second National Bank of Boston, Boston, Massachusetts, as a director of the Boston Safe Deposit and Trust Company, Boston, Massachusetts, and as a director of the Lexington Trust Company, Lexington, Massachusetts.

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing the following Clayton Act permits, and requesting that the agent withhold delivery of the permits until he is satisfied that section 32 of the Banking Act of 1933 does not apply to the applicants, in which case he is authorized to deliver the permits, and that he advise the Board of his action in the matter. The letter stated also that, in view of all the circumstances set forth in the letter, the Board has granted the permit to Mr. Gifford in order to avoid any unnecessary misunderstanding by the communities which might prove detrimental to the best interests of the banks involved; that the Board feels, however, that efforts to place the banks in sound condition, and Mr. Gifford's financial condition above criticism should be continued and, when transmitting to Mr. Gifford his copy of the permit, it is requested that the agent inform him of the Board's views in these matters; and that the Board also suggests that the agent keep in close touch with the efforts being made to bring about a strengthening of the management and condition of the banks involved and a correction of all of the conditions which have given rise to the examiners' criticisms, that the agent cooperate with the appropriate supervisory authorities to this end, and that, when the agent submits his recommendation as a result of his annual review of Mr. Gifford's permit, he report fully as to the progress made in bringing

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about an improvement in the management and condition of the banks involved in his application and the progress made by Mr. Gifford in eliminating his lines of credit from both institutions and in effecting an improvement in his personal financial affairs.

Mr. George Gifford, for permission to serve at the same time as a director and officer of The Mohawk National Bank of Schenectady, Schenectady, New York, and as a director of the Glenville Bank, Scotia, New York.

Mr. Homer J. Borst, for permission to serve at the same time as a director and officer of The Mohawk National Bank of Schenectady, Schenectady, New York, and as a director of the Glenville Bank, Scotia, New York.

Approved.

Three letters to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permits applied for would be incompatible with the public interest. Each 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. Arthur B. Cobden, for permission to serve at the same time as a director of the Bank of Waterford, Waterford, New York, and as an employee of The Manufacturers National Bank of Troy, Troy, New York.

Mr. William C. Feathers, for permission to serve at the same time as a director and officer of The Manufacturers National Bank of Troy, Troy, New York, and as a director and officer of the Taconic Valley Bank, Berlin, New York.

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Mr. William C. Geer, for permission to serve at the same time as a director of The Manufacturers National Bank of Troy, Troy, New York, and as a director of the Troy Prudential Association, Inc., Troy, New York.

Approved.

Letter to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permits applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicants the Board's position in the matter, and to advise the Board promptly as to whether the applicants desire to submit any additional data, and, if not, as to what steps they propose to take in order to comply with the provisions of the Clayton Act.

Mr. B. F. Harwitz, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. R. H. Snyder, for permission to serve at the same time as a director and officer of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. D. E. Snider, for permission to serve at the same time as a director of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Mr. J. A. Aull, for permission to serve at the same time as a director and officer of The First and Merchants National Bank of Middletown, Middletown, Ohio, and as a director of The American Trust and Savings Bank, Middletown, Ohio.

Approved.

Two letters to Mr. Stevens, Federal Reserve Agent at the

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Federal Reserve Bank of Chicago, stating that the Board has given consideration to the following applications for permits 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 permits applied for would be incompatible with the public interest. Each letter 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. Schuyler L. Marshall, for permission to serve at the same time as a director of The St. Johns National Bank, St. Johns, Michigan, and as a director of the Clinton County Savings Bank, St. Johns, Michigan.

Mr. William M. Smith, for permission to serve at the same time as a director of The St. Johns National Bank, St. Johns, Michigan, and as a director of the Clinton County Savings Bank, St. Johns, Michigan.

Approved.

Letter dated September 13, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, inclosing the following Clayton Act permit; requesting that the agent ascertain the status of the charges against Mr. Duncan in connection with a possible violation by him of section 22(g) of the Federal Reserve Act; and stating that, in the event the case has been duly considered and closed without prosecution, the agent is authorized to release the Clayton Act permit to the applicant. The letter also requested that, when the agent submits

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his recommendation as a result of his annual review of the permit, he report fully as to whether Mr. Duncan has further violated any provisions of the law.

Mr. F. A. Duncan, for permission to serve at the same time as a director of The First National Bank of Ilwaco, Ilwaco, Washington, and as a director and officer of the Pacific State Bank, South Bend, Washington.

Approved.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, inclosing the following Clayton Act permit, and requesting that the assistant agent withhold delivery of the permit until Mr. Forbes has filed an application under section 32 of the Banking Act of 1933 and a permit has been issued to him by the Board covering his service with the Golden Gate Finance Company, or until it is determined that Mr. Forbes' service with the national bank and the above named company does not come within the provisions of section 32. The letter also requested that the agent advise of the action taken in the matter:

Mr. John F. Forbes, for permission to serve at the same time as a director of the First National Bank in San Rafael, San Rafael, California, and as a director of the Bank of San Rafael, San Rafael, California.

Approved.

Letters dated September 13, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Merton E. Ober, for permission to serve at the same time as an officer of The Second National Bank of Boston, Boston, Massachusetts, and as a director of the Beverly Trust Company, Beverly, Massachusetts.

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Mr. Darwin C. Pomeroy, for permission to serve at the same time as a director and officer of The Port Royal National Bank, Port Royal, Pennsylvania, and as a director and officer of The Russell National Bank of Lewistown, Lewistown, Pennsylvania.

Mr. Edward H. Worth, for permission to serve at the same time as a director of The National Bank of Coatesville, Coatesville, Pennsylvania, and as a director of the Claymont Trust Company, Claymont, Delaware.

Mr. William Knecht, for permission to serve at the same time as a director of The Rush County National Bank of Rushville, Rushville, Indiana, and as a director and officer of the Falmouth State Bank, Falmouth, Indiana.

Mr. Frank J. Lauerman, Jr., for permission to serve at the same time as a director of The Stephenson National Bank of Marinette, Marinette, Wisconsin, and as a director and officer of The First National Bank of Oconto, Oconto, Wisconsin.

Mr. Fred W. Buck, for permission to serve at the same time as a director of The Northern National Bank of Duluth, Duluth, Minnesota, and as a director and officer of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. Kenneth S. Cant, for permission to serve at the same time as a director of The Minnesota National Bank of Duluth, Duluth, Minnesota, and as a director of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. J. R. Colbeck, for permission to serve at the same time as an officer of The Minnesota National Bank of Duluth, Duluth, Minnesota, and as a director and officer of the Superior State Bank, Superior, Wisconsin.

Mr. W. J. Eklund, for permission to serve at the same time as a director and officer of The Duluth National Bank, Duluth, Minnesota, as a director of The Northern National Bank of Duluth, Duluth, Minnesota, and as a director of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. G. A. French, for permission to serve at the same time as a director of The Northern National Bank of Duluth, Duluth, Minnesota, and as a director of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. W. R. McCarthy, for permission to serve at the same time as a director of the First and American National Bank of Duluth, Duluth, Minnesota, and as a director of the Duluth Morris Plan Company, Duluth, Minnesota.

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Mr. A. C. Weiss, for permission to serve at the same time as a director of the First and American National Bank of Duluth, Duluth, Minnesota, and as a director and officer of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. John G. Williams, for permission to serve at the same time as a director and officer of The Northern National Bank of Duluth, Duluth, Minnesota, and as a director and officer of the Duluth Morris Plan Company, Duluth, Minnesota.

Mr. C. W. Pfluger, for permission to serve at the same time as a director and officer of the Coupland State Bank, Coupland, Texas, and as a director of The City National Bank of Taylor, Taylor, Texas.

Mr. Chas. F. Adams, for permission to serve at the same time as a director of The First National Bank of Idaho, Boise, Idaho, and as a director of the Boise Trust Company, Boise, Idaho.

Approved.

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

Mr. George R. Cherry, for permission to serve at the same time as a director of The Safe Deposit National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Mr. Otis Seabury Cook, for permission to serve at the same time as a director of The Safe Deposit National Bank of New Bedford, New Bedford, Massachusetts, and as a director and officer of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Mr. William S. Cook, for permission to serve at the same time as a director and officer of The Safe Deposit National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Mr. William F. Potter, for permission to serve at the same time as a director of The First National Bank of New Bedford, New Bedford, Massachusetts, and as a director and officer of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Mr. William A. Robinson, Jr., for permission to serve at the same time as a director and officer of The Safe Deposit National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

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Mr. Elton S. Wilde, for permission to serve at the same time as a director of The First National Bank of New Bedford, New Bedford, Massachusetts, and as a director of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

Mr. Wadsworth Cresse, for permission to serve at the same time as an officer of The First National Bank and Trust Company of Woodbury, Woodbury, New Jersey, and as a director of the Pitman National Bank and Trust Company, Pitman, New Jersey.

Mr. F. Carlton Dickensheets, for permission to serve at the same time as a director of The First National Bank and Trust Company of Woodbury, Woodbury, New Jersey, and as a director and officer of the Gloucester City Trust Company, Gloucester City, New Jersey.

Mr. Oscar B. Redrow, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Blackwood, Blackwood, New Jersey, and as a director and officer of The First National Bank and Trust Company of Woodbury, Woodbury, New Jersey.

Mr. Ferol Craig Drake, for permission to serve at the same time as a director of the Ohio State Bank, Frazeyburg, Ohio, and as an employee of the Coshocton National Bank, Coshocton, Ohio.

Mr. Alfred West, for permission to serve at the same time as a director of The First National Bank of Oneida, Oneida, Tennessee, and as a director of the First Trust and Savings Bank, Oneida, Tennessee.

Mr. Russell C. Allen, for permission to serve at the same time as an officer of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as an officer of the Ithaca Savings Bank, Ithaca, Michigan.

Mr. Wilbur G. Hubbard, for permission to serve at the same time as an employee of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as an employee of the Ithaca Savings Bank, Ithaca, Michigan.

Ariadne E. Knapp, for permission to serve at the same time as an employee of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as an employee of the Ithaca Savings Bank, Ithaca, Michigan.

Mr. H. E. Lewis, for permission to serve at the same time as a director of The Commercial National Bank of Ithaca, Ithaca, Michigan, as a director of the Ithaca Savings Bank, Ithaca, Michigan, and as a director of the Pompeii State Bank, Pompeii, Michigan.

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Alice T. Miller, for permission to serve at the same time as an employee of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as an employee of the Ithaca Savings Bank, Ithaca, Michigan.

Mr. Carl Ranger, for permission to serve at the same time as a director of The Commercial National Bank of Ithaca, Ithaca, Michigan, and as a director of the Ithaca Savings Bank, Ithaca, Michigan.

Mr. Thos. E. Corkin, for permission to serve at the same time as an officer of The St. Johns National Bank, St. Johns, Michigan, and as an officer of the Clinton County Savings Bank, St. Johns, Michigan.

Mr. Lee A. DeWitt, for permission to serve at the same time as a director of The St. Johns National Bank, St. Johns, Michigan, and as a director of the Clinton County Savings Bank, St. Johns, Michigan.

Mr. W. M. Luecht, for permission to serve at the same time as a director and officer of The St. Johns National Bank, St. Johns, Michigan, as a director and officer of the Clinton County Savings Bank, St. Johns, Michigan, and as a director of the State Savings Bank of Fowler, Fowler, Michigan.

Mr. W. M. Ferguson, for permission to serve at the same time as a director of the Fourth National Bank in Wichita, Wichita, Kansas, as a director of the Security State Bank, Wellington, Kansas, and as a director and officer of the Bank of Woodward, Woodward, Oklahoma.

Mr. C. E. Baen, for permission to serve at the same time as an officer of The Anglo California National Bank of San Francisco, San Francisco, California, and as a director of the Sumitomo Bank of California, Sacramento, California.

Mr. W. M. Crane, for permission to serve at the same time as an officer of the First National Bank in San Rafael, San Rafael, California, and as an officer of the Bank of San Rafael, San Rafael, California.

Mr. M. T. Freitas, for permission to serve at the same time as a director of the First National Bank in San Rafael, San Rafael, California, and as a director of the Bank of San Rafael, San Rafael, California.

Mr. A. C. Latno, for permission to serve at the same time as an officer of the First National Bank in San Rafael, San Rafael, California, and as an officer of the Bank of San Rafael, San Rafael, California.

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Mr. E. B. McNear, for permission to serve at the same time as a director and officer of the First National Bank in San Rafael, San Rafael, California, and as a director and officer of the Bank of San Rafael, San Rafael, California.

Mr. Wm. P. Murray, for permission to serve at the same time as a director and officer of the First National Bank in San Rafael, San Rafael, California, as a director and officer of the Bank of San Rafael, San Rafael, California, and as a director of the Novato Bank, Novato, California.

Mr. J. A. Saunders, for permission to serve at the same time as a director of the First National Bank in San Rafael, San Rafael, California, and as a director of the Bank of San Rafael, San Rafael, California.

Mr. Raymond H. Thayer, for permission to serve at the same time as a director of the First National Bank in San Rafael, San Rafael, California, and as a director of the Bank of San Rafael, San Rafael, California.

Approved.

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

| <u>Applications for ORIGINAL Stock:</u> | <u>Shares</u> | |
|---|---------------|-------|
| <u>District No. 3.</u> | | |
| Exchange National Bank in Marietta, Marietta, Pennsylvania | 36 | 36 |
| <u>District No. 9.</u> | | |
| The First & Commercial National Bank of Williston, Williston, North Dakota | 34 | 34 |
| | <hr/> | <hr/> |
| | Total | 70 |
| <u>Applications for ADDITIONAL Stock:</u> | | |
| <u>District No. 2.</u> | | |
| Glen Ridge Trust Company, Glen Ridge, New Jersey | 6 | |
| Genesee Trust Company, Batavia, New York | 27 | |
| Center Moriches Bank, Center Moriches, L. I., N. Y. | 30 | |
| Workers Trust Company, Johnson City, New York | 120 | |
| The Northern New York Trust Company, Watertown, New York | 60 | |

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| Applications for ADDITIONAL Stock: (Continued) | | Shares |
|--|--|--------|
| <u>District No. 2. (Continued)</u> | | |
| The First National Bank of Canton, Canton, New York | | 6 |
| The Endicott National Bank, Endicott, New York | | 30 |
| The Fair Haven National Bank, Fair Haven, New York | | 3 |
| The Franklin Square National Bank, Franklin Square, New York | | 21 |
| The Homer National Bank, Homer, New York | | 30 |
| The Stewart National Bank of Livonia, Livonia, New York | | 69 |
| The Peoples National Bank and Trust Company of Lynbrook, Lynbrook, New York | | 27 |
| The Mahopac National Bank, Mahopac, New York | | 36 |
| The First National Bank of Narrowsburg, Narrowsburg, New York | | 13 |
| The First National Bank of Old Forge, Old Forge, New York | | 30 |
| The Harbor National Bank of Port Washington, Port Washington, New York | | 13 |
| The Rye National Bank, Rye, New York | | 165 |
| The First National Bank of Sherrill, Sherrill, New York | | 28 |
| Glen National Bank of Watkins, Watkins, New York | | 30 |
| The National Bank of Westfield, Westfield, New York | | 30 |
| The First National Bank and Trust Company of Kearny, Kearny, New Jersey | | 19 |
| The First National Bank of Milford, Milford, New Jersey | | 42 |
| The First National Bank of North Bergen, North Bergen, New Jersey | | 6 |
| The Second National Bank of Paterson, Paterson, New Jersey | | 90 |
| First National Bank in Rockaway, Rockaway, New Jersey | | 3 |
| | | 934 |
| <u>District No. 5.</u> | | |
| The Peoples National Bank of Rowlesburg, Rowlesburg, West Virginia | | 2 |
| First National Bank in Henderson, Henderson, North Carolina | | 30 |
| The Peoples National Bank of Manassas, Manassas, Virginia | | 7 |

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| <u>Applications for ADDITIONAL Stock: (Continued)</u> | | <u>Shares</u> | |
|---|--|---------------|-----|
| <u>District No. 5. (Continued)</u> | | | |
| The Merchants National Bank of Montgomery, Montgomery, West Virginia | | 3 | |
| The First National Bank of Romney, Romney, West Virginia | | 3 | 45 |
| | | <hr/> | |
| <u>District No. 9.</u> | | | |
| The First National Bank of Hawley, Hawley, Minnesota | | 6 | 6 |
| | | <hr/> | |
| | | Total | 985 |

| <u>Applications for SURRENDER of Stock:</u> | | | |
|---|--|-------|-----|
| <u>District No. 2.</u> | | | |
| Bank of Yorktown, New York, New York | | 450 | 450 |
| <u>District No. 7.</u> | | | |
| The First National Bank of Manawa, Manawa, Wisconsin | | 18 | 18 |
| <u>District No. 9.</u> | | | |
| The First National Bank of Alden, Alden, Minnesota | | 15 | |
| The National Bank of Commerce of Mankato, Mankato, Minnesota | | 78 | 93 |
| | | <hr/> | |
| <u>District No. 10.</u> | | | |
| The Galena National Bank, Galena, Kansas | | 60 | 60 |
| <u>District No. 12.</u> | | | |
| The National Bank of Commerce of Astoria, Astoria, Oregon | | 72 | 72 |
| | | <hr/> | |
| | | Total | 693 |

Approved.

Thereupon the meeting adjourned.

Approved:

Cheser Moriel
Secretary.

J. J. Johnson
Vice Governor.