

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, October 2, 1934, at 3:00 p. m.

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

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

The Committee considered and acted upon the following matters:

Memorandum dated September 29, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that, at the meeting of the System Committee on Legislative Program on September 22, 1934, the Committee "authorized the technical staff to obtain such help as might be necessary for accomplishing its work expeditiously"; that it is anticipated at this time that the additional services required will be one or two junior assistants and two stenographers, bringing the total expenses of the Committee, including the salary of Mr. Stark, technical assistant to the committee, to an amount not to exceed \$2,000 a month; and that it is recommended that the action of the System Committee on Legislative Program be approved by the Board, with the understanding that the expense involved will be prorated among the twelve Federal reserve banks in the manner recently approved by the Board with regard to the salary of Mr. Stark, who has been designated Secretary of the Committee. The memorandum also recommended, in accordance with the policy referred to above, the appointment of Mr. Martin Krost as a junior assistant on a month-to-month basis, with salary at the rate of \$250 a month, and of Mrs. Astrid L. Donaldson as a stenographer, with salary at the rate of \$135 a month, both effective as of the dates upon which Mr. Krost and Mrs. Donaldson enter upon the performance of their

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duties.

Approved.

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

"Your letter September 8 re services of J. W. Royall. Board concurs in opinion that national bank should be reimbursed for his salary and approves reimbursement at rate of salary received by Mr. Royall as stated your letter."

Approved.

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

"Your letter September 8 re reimbursement for services rendered by Mr. Marsh. While sympathetic with position taken by your directors, Board believes it not in harmony with spirit of law for members of industrial advisory committee to act also as representative of Federal reserve bank. Therefore, any payment to member of committee should be in accordance with provisions of law in connection with services rendered as member of committee; i.e., reimbursement for necessary expenses while engaged in business of committee or per diem allowance in lieu thereof. Services are not limited to attendance at meetings of committee, but may include any services performed as member of committee."

Approved.

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

"This is to advise you that the Board will interpose no objection to the absorption by The Marine Trust Company of Buffalo, Buffalo, New York, of the Bank of Snyder, Snyder, New York, through merger, subject to condition numbered 2 below, provided, of course, that counsel for the Federal Reserve Bank is satisfied as to the legal aspect of the transaction and that the merger will not result in any change in the corporate existence of The Marine Trust Company of Buffalo which will affect its status as a member bank, and that the appropriate State authorities approve the merger."

"The Comptroller of the Currency has approved the application of The Marine Trust Company of Buffalo to establish a branch at

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"Snyder, subject to the following conditions:

1. The establishment and operation of a branch at Snyder, New York, by The Marine Trust Company of Buffalo, shall be approved by the appropriate State authorities; and
2. Prior to the establishment of the branch at Snyder, New York, and the absorption of the Bank of Snyder, Snyder, New York, incident thereto, the Bank of Snyder shall, if it has not already done so, charge off or otherwise eliminate estimated losses of \$6,400, doubtful assets aggregating \$16,251 and securities depreciation of \$20,320, all as shown in the report of examination of the Bank of Snyder as of May 2, 1934, made by an examiner for the New York State Banking Department, and any other known losses, and depreciation in securities.

"The Board has granted and transmitted in the usual manner, authority for the issuance of the necessary limited voting permit to enable Marine Midland Corporation to vote the stock owned by it of The Marine Trust Company of Buffalo to effect the proposed merger."

Approved.

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

"Reference is made to the report of examination of 'The Toledo Trust Company', Toledo, Ohio, as of March 23, 1934, and the supplementary information submitted in connection therewith.

"In transmitting the report, Mr. Fletcher advised that losses as estimated had been charged out or amply covered by reserves. In this connection, the Board feels that estimated losses and depreciation listed for elimination have not been properly eliminated by the setting up of reserves which are included with the bank's capital accounts in its published statements. Such reserves should be used either in making charge-offs of the estimated losses and depreciation listed for elimination or treated as valuation reserves and deducted from the respective asset accounts, showing only the net amount, or the gross amount of such assets less the reserves, in the published statements. Any reserves for losses included with the capital accounts, therefore, should represent merely allocations of surplus and/or undivided profits to cover possible or contingent losses; or, in other words, represent true 'reserves for contingencies.'

"It has been noted that investments of trust funds included \$1,091,500 certificates of participation in mortgage loans and

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"that only 4 per cent interest is paid on the certificates of participation while 6 per cent interest is charged on the underlying mortgages. The Board would like to be advised if the interest spread accruing to the bank is permitted, either by valid agreement or by appropriate court authority. The Board would also like to be advised if the mortgages, as would appear from comments in the report of examination, have been purchased from the bank. Self-dealing violates the fundamental principles of trusteeship, and in so doing a bank may incur heavy legal liability; especially is this true when the bank profits by the transaction. In this connection the Statement of Principles of Trust Institutions which was incorporated in the Bankers Code of Fair Competition has the following comments:

'It is a fundamental principle that a trustee should not have any personal financial interest, direct or indirect, in the trust investments, bought for or sold to the trusts of which it is trustee, and that it should not purchase for itself any securities or other property from any of its trusts. Accordingly, it follows that a trust institution should not buy for or sell to its estates or trusts any securities or other property in which it, or its affiliate, has any personal financial interest, and should not purchase for itself, or its affiliate, any securities or other property from its estates or trusts.'

"It has been noted also that a trust, designated as trust number seventy-nine, was created in November, 1924, by the transfer from the banking department of dormant individual accounts and that it has been the practice to transfer, from time to time, additional accounts to this trust. On the date of the examination, the dormant accounts carried in this manner totaled \$98,469, against which the trust department held investments with a book value of \$104,390, and a market value of \$88,845. Deposit accounts, whether active or dormant, are, of course, liabilities of the bank and the assets of the trust are the property of the bank. The method of carrying such accounts is unsatisfactory inasmuch as the liability is not shown on the bank's books and published statements, the amount of such deposits is not taken into consideration in computing reserves, and no consideration is given to any loss which may exist in the assets of the trust. It will be appreciated, therefore, if you will request the bank to transfer these dormant accounts and the assets of the trusts back to the banking department where they may be properly shown on the bank's books and statements, and advise the Board as to the action taken by the bank."

Approved.

Letter dated October 1, 1934, approved by three members of the

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Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, with regard to the matters commented on in the report of examination of "The Birmingham Trust and Savings Company", Birmingham, Alabama, as of February 12, 1934.

Approved.

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

"Reference is made to your letter of September 7, 1934, inclosing the application of 'The Knisely National Bank of Butler', Butler, Indiana, for permission to exercise limited fiduciary powers.

"In accordance with the recommendation of your executive committee, in which the Comptroller of the Currency concurs, the Board will defer action on the pending application until an examination by a national bank examiner has been completed and a report thereof is available, at which time it will be glad to have the benefit of any further recommendation you may wish to make in the premises.

"It has been noted from your letter and other data submitted to the Board relative to the pending application that the amount of trust business available from the predecessor bank is very small and it appears to be questionable if the bank could develop a volume of fiduciary business sufficient to justify the expense and responsibility incident to the operation of a trust department. It is suggested, however, that if it is possible to do so you have your trust examiner visit the applicant bank at or prior to the time it is examined by a national bank examiner to develop as full information as possible relative to the experience and qualifications of the proposed trust officer, members of the proposed trust committee, and legal counsel, to supplement the bank's statements in that regard, and to furnish any other information which in his opinion would be of assistance to the Board in considering the application subsequent to an examination by the national examiner. At the same time your examiner should discuss with the bank's board of directors the duties and responsibilities incident to the exercise of trust functions, with the thought in mind that, after due consideration, they may decide to withdraw their application."

Approved.

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

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follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Townsend National Bank', Townsend, Massachusetts, from \$100,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$75,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital, together with the bank's undivided profits and such portion of its surplus as may be necessary, shall be used to reduce the book values of lower grade securities to present market values, all as set forth in your memorandum of September 17, 1934.

"This approval supersedes the Board's approval of May 1, 1934, of the original plan of capital reduction."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Wilton National Bank', Wilton, New Hampshire, from \$100,000 to \$50,000, pursuant to a plan which provides for the use of the released capital in eliminating a corresponding amount of the least desirable assets in the bank, including the estimated losses and all depreciation in lower grade securities, and provides also for the payment of the David Whiting loan of \$5,000 prior to the reduction in common capital stock, all as set forth in your memorandum of September 17, 1934."

Approved.

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

"Receipt is acknowledged of your memorandum of September 26, 1934, with reference to the proposed reduction in common capital stock of 'The National Bank of Coxsackie', Coxsackie, New York, from \$100,000 to \$50,000, and sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation, which was approved by the Board on July 31, 1934.

"You advise that the Reconstruction Finance Corporation has agreed to purchase only \$25,000 of preferred stock of this bank, and recommend that the bank be permitted to reduce its common capital as originally proposed but that the plan as approved be amended to permit that the amount of preferred stock to be sold to the Reconstruction Finance Corporation be reduced from \$50,000

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"to \$25,000.

"Inasmuch as the released capital, together with a portion of the bank's undivided profits, is to be used to eliminate all estimated losses and depreciation in investment securities as classified by the examiner in his report of examination as of August 1, 1934 and the adjusted capital structure will be adequate in relation to the deposit liability, and since a comparison of the statements of condition as of February 27, 1934, and August 1, 1934, discloses an improvement in the bank's general condition, the Board, in accordance with your recommendation, amends its previous approval to provide for the sale of \$25,000 of preferred stock instead of \$50,000 as originally planned, with the understanding that the other provisions of the plan as set forth in Mr. Awalt's memorandum of July 18, 1934, remain unchanged."

Approved.

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

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Anadarko', Anadarko, Oklahoma, from \$50,000 to \$30,000, pursuant to a plan which provides that the bank's capital shall be increased by \$20,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate unsatisfactory assets in the amount of approximately \$18,659 and to augment the bank's surplus account by approximately \$1,341, all as set forth in Mr. Awalt's memorandum of August 6, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected, it has been noted that your examiner criticized the bank's management as incompetent, indolent, and perhaps dishonest, and cited certain transactions which involved possible criminal violations of law. It is understood, however, that the management problem in this bank is receiving the attention of your office, and that a report has been made to the Department of Justice with respect to the transactions involving possible violations of law."

Approved.

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

"Reference is made to Mr. Dillistin's letters of September 17, August 6 and April 25, 1934, and to your letter of August 7, 1934,

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"relative to the application of Union County Trust Company, Elizabeth, New Jersey, for permission to vote the stock which it owns or controls of The First National Bank of Cranford, Cranford, New Jersey, for the voluntary liquidation of that bank as an incident of its absorption by Union County Trust Company and the operation by the latter of a branch at the present office of The First National Bank of Cranford.

"The report of examination of Union County Trust Company as of April 30, 1934, made by an examiner for the Federal Deposit Insurance Corporation, indicated that the bank had a total capital structure of \$1,576,400, in addition to which directors' subordinated deposits amounted to \$300,000. The report showed losses in loans and other assets of \$1,761,500, net depreciation in securities of \$1,045,800, and doubtful assets of \$422,300. On the basis of these figures and after considering the subordinated deposits of directors as a part of the capital structure, the bank would have a capital deficit of \$930,900. If doubtful assets amounting to \$422,300 were deducted, the capital deficit would be \$1,353,200. In addition, the report showed the bank had \$3,167,600 of slow assets and deposits of \$8,308,500. Cash and securities amounted to only 28 per cent of total deposits.

"The report of examination of Union County Trust Company as of October 9, 1933, made by an examiner for the Federal Deposit Insurance Corporation, showed a capital deficit of \$906,000, after considering the directors' subordinated deposits of \$300,000 as a part of the capital structure and not deducting doubtful assets in the amount of \$990,100.

"The latest available report of examination of The First National Bank of Cranford as of August 2, 1934, made by a national bank examiner, showed losses of \$110,200 and net depreciation in securities of \$48,000, as compared with a total book capital structure of \$136,600, or capital deficit of \$21,600, not deducting doubtful assets of \$5,800. As a protection to depositors the Chief National Bank Examiner at New York was holding \$150,000 of Government bonds pledged by Union County Trust Company (the chief stockholder) as a condition precedent to the granting of a license to The First National Bank of Cranford to reopen after the banking holiday. Considering this guaranty, it appears that there is a net protection of \$122,600 to the deposits of \$768,400 in The First National Bank of Cranford, after eliminating all losses, net depreciation and all assets classified as doubtful. Cash and marketable securities amounted to 75 per cent of total deposits in the national bank.

"With Mr. Dillistin's letter of September 17, 1934, there was inclosed a copy of a letter to you from R. S. Douglas, Treasurer of Union County Trust Company, dated August 24, 1934, in which it was stated that the bank had consummated changes in its capital structure whereby the capital is now represented by the following three classes of stock:

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"Preferred stock 'A'	\$1,000,000
Preferred stock 'B'	450,000
Common stock	300,000

Mr. Douglas' letter also contained a request for the issuance, at this time, of a general permit in order that Union County Trust Company may vote its stock and thereby make possible the consummation of certain plans which the board of directors of The First National Bank of Cranford have under consideration.

"Inasmuch as the latest available examination reports of the subject banks and the information furnished in Mr. Douglas' letter of August 24, 1934 indicate that the depositors of The First National Bank of Cranford are in a better position now than they would be were deposit liabilities assumed by the trust company, and the Comptroller's office has not indicated its approval of the proposed plan of Union County Trust Company to assume the deposit liabilities and the assets of The First National Bank of Cranford and operate a branch in Cranford, the Board is not disposed to grant a limited permit to Union County Trust Company to vote stock owned or controlled by it in The First National Bank of Cranford for the purpose of consummating the plans above referred to and more specifically detailed in Mr. Whittemore's letter to you of April 9, 1934.

"The Board's ANCIGAR telegram of January 6, 1934, authorizing the issuance of a limited permit to Union County Trust Company, contained the following language:

'You should advise applicant and each of its subsidiary member banks that on the basis of information available, the Federal Reserve Board feels that as a condition precedent to the granting of a general voting permit, applicant and its subsidiary member banks will be required to materially strengthen their respective capital structures and to charge off or otherwise eliminate such estimated losses and such estimated depreciation in securities, other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities, as may appear from current examinations of such banks.'

"From Mr. Douglas' letter it is apparent that he considers that the corrections which have been effected by the banks in this group are sufficient to comply with the Board's requirements as conditions precedent to the issuance of general voting permits. From the facts set forth above it does not appear that Union County Trust Company has made corrections and rehabilitated its capital structure to such extent that the Board would feel justified in issuing to it a general voting permit. In this connection, you are requested to ascertain from Union County Trust Company, and advise the Board, the details of the corrections which have been made and the amounts of the various classes of criticized assets which are still carried

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"on the books of Union County Trust Company and The First National Bank of Cranford, as well as Linden Trust Company, another subsidiary of Union County Trust Company. Upon receipt of this information the Board will give further consideration to the application for the purpose of determining conditions under which a limited voting permit may be issued at this time authorizing the holding company affiliate to vote the stock owned or controlled by it of its subsidiary member banks for the election of directors and transacting matters of a routine nature at the next annual meetings of the shareholders of the respective banks.

"From all of the correspondence in connection with this case it does not appear that the holding company affiliate contemplates the necessity of voting the stock of either The First National Bank of Cranford or Linden Trust Company for any other special purposes. If such necessity should arise, please advise the Board of the details thereof in order that appropriate consideration may be given to the necessary limited permits.

"Please advise the applicants of the Board's position with respect to the foregoing matters."

Approved.

Memorandum dated September 28, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that he had received a letter from Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, requesting that he be furnished with a complete set of the volumes containing the report of the System Committee on Branch, Group and Chain Banking; that, while a complete set of the volumes is not available, there could be sent to Mr. Crowley a set which would contain two volumes in which some of the exhibits would be incomplete; and that it is recommended that such set be sent for the use of Mr. Crowley and other executives of the Corporation.

Approved.

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

"In response to a number of questions which have arisen in

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"connection with section 7(a) of Regulation T, the Board has issued the following interpretations:

"1. The account that may be designated as an old account is the account as it stood at the opening of business on October 1, 1934, with such changes as could have been permitted in such account under section 7(a) of the regulation if the account had been designated as an old account at the beginning of business on October 1, 1934.

"2. The creditor may designate such account as an old account at any time prior to November 15, 1934, and may permit transactions in the account pending such designation; but there may not be included in any account designated as an old account any transaction which could not have been made in the account if it had been designated as an old account at the beginning of business on October 1, 1934, and any transaction which cannot be so included must be made in or transferred to a new account.

"3. After an account has been designated as an old account the regulation permits the withdrawal of cash or securities only if the account is an unrestricted account on October 15 and if the withdrawal does not make the account a restricted account.

"4. If, between the opening of business on October 1, 1934 and the time of the designation of such account as an old account, there has been any withdrawal of money or securities from the account, such account cannot be designated as an old account unless it is an unrestricted account on October 15 or on the date of such designation, whichever is the later, or unless the cash and/or securities withdrawn from the account are replaced before the account is designated as an old account.

"5. If, between the opening of business on October 1, 1934, and the time of the designation of such account as an old account, there has been any additional purchase of securities in the account or any substitution consisting of a sale and replacement purchase which results in an increase in the adjusted debit balance of the account, the securities purchased and any debit for the cost thereof cannot be included in the account designated as an old account but may be transferred to a new account.

"6. Even though transactions have been made in an account subsequent to September 30, 1934, the creditor may for convenience designate the account exactly as it existed at the beginning of business on October 1, 1934, as an old account and may transfer all transactions made subsequent to September 30, 1934, to a new account, to which also may be transferred any money and/or securities lawfully withdrawn from the old account in accordance with section 7(a) of the Regulation."

Approved.

Letter dated October 1, 1934, approved by three members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank

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of Philadelphia, reading as follows:

"This refers to Mr. Hill's letter dated September 7, 1934, with regard to the question whether the Girard Trust Company, Philadelphia, Pennsylvania, may treat amounts due to and from private banking firms as amounts due to and from banks in computing the reserves required to be maintained by such member bank with the Federal Reserve Bank of Philadelphia pursuant to the provisions of section 19 of the Federal Reserve Act.

"As stated in Mr. Hill's letter, the Board has heretofore ruled that private bankers are not banks within the meaning of section 13 of the Federal Reserve Act which provides for the extension of clearing privileges to banks. The above ruling, which was published at page 693 of the Federal Reserve Bulletin for September, 1917, was based upon the fact that section 1 of the Federal Reserve Act provides that the word 'bank' shall be held to include 'State bank, banking association, and trust company', except where other types of banks are specifically referred to, and that such terms are not ordinarily used to indicate private bankers.

"The Board is of the opinion that the word 'banks' as used in the phrase 'the net difference of amounts due to and from other banks' in section 19 of the Federal Reserve Act does not include private bankers or private banking firms. Accordingly, amounts due to and from private bankers or private banking firms may not be considered as amounts due to and from other banks in computing reserves under section 19 of the Federal Reserve Act."

Approved.

Letter dated October 1, 1934, approved by three members of the Board, to the Secretary of the Treasury, reading as follows:

"This refers to Mr. Opper's memorandum of September 11, 1934, addressed to Mr. Morrill and inclosing a copy of a letter dated August 31, 1934, addressed to the Secretary of the Treasury by the Secretary of the Interior, in which the latter advises that he has no authority to dispose of the site to be purchased by the Federal Reserve Board from the Government and can see no reason for his joining in executing with the Secretary of the Treasury a quit claim deed to such property. He advises further, however, that if it should be determined that the Secretary of the Interior should execute such a deed in order to avoid any possible question as to the validity of the conveyance, he will be glad to do so.

"You are advised that, after consideration of this matter in the light of the letter from the Secretary of the Interior, the Federal Reserve Board prefers to have, in addition to the deed from the Secretary of the Treasury, a quit claim deed also from

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"Department of the Interior with respect to the property which the Federal Reserve Board will purchase in accordance with Governor Black's letter of August 14, 1934, addressed to the Secretary of the Treasury; and it will be appreciated if such quit claim deed will be executed and transmitted to the Board when the deed from the Secretary of the Treasury is furnished to the Board. In view of the provisions of the Executive Order of the President No. 6166 of June 10, 1933, and of the Act of Congress approved March 2, 1934, Pub. 109, 73d Congress, it would appear that such quit claim deed should be executed by the National Park Service through the agency of the director of such Service."

Approved.

Letter dated October 1, 1934, approved by three members of the Board, to Mr. Claude O. Pike, Editor of The Chicago Daily News Almanac, Chicago, Illinois, reading as follows:

"This refers to your letter of September 4, 1934, requesting that a revision be made of the tabulation inclosed therewith in regard to the branch banking situation in the various states in 1933.

"In reply you are advised that the Federal Reserve Board has compiled no summary of the state laws on the subject of branch banking which is available for general distribution since that published on page 455 of the July 1932 Federal Reserve Bulletin, a copy of which is inclosed for your further information. The statement inclosed with your letter is in agreement, however, with available information from unofficial sources and it is believed to be substantially correct.

"Inasmuch, however, as the Board's information is based on data gathered from various sources and is in no sense official, it is requested that the Board be not given as the source of any information on this subject that may be included in the next issue of the Chicago Daily News Almanac and Year Book."

Approved.

Letter dated October 1, 1934, approved by three members of the Board, to Mr. Guy P. Greenwald, Los Angeles, California, reading as follows:

"This refers to your letter of September 1, 1934, in regard to the eligibility of a proposed loan to the Boulevard Plaza Company, Los Angeles, California, under section 13b of the Federal

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"Reserve Act.

"From the information submitted, it is understood that the company is engaged in the business of subdividing and developing real estate for home sites. It appears that substantially all of the loan applied for would be used to pay off existing indebtedness and a small portion thereof would be used 'to provide additional working capital with which to resume commercial operations, including additional employment for sale of lots for building purposes, in conjunction with the new housing program'. It is understood that the company's application has been denied on the ground that the loan is not for the purpose of providing the company with working capital, as required by law.

"As indicated in the statement printed as a preface to the Board's Regulation S, the Federal Reserve Board has left the broad powers granted by Congress to the Federal reserve banks in section 13b wholly unimpaired and has prescribed no restrictions beyond those in the law itself; and, accordingly, it has not attempted to define the words 'working capital'. However, a Federal reserve bank must observe the requirements made by the statute in granting accommodations under this law. Congress has seen fit to require that loans made under this section shall be for the purpose of furnishing working capital and, therefore, a Federal reserve bank may not lawfully make an advance to an established industrial or commercial business unless it is for the purpose of providing it with working capital.

"While the Federal Reserve Board feels that Federal reserve banks ordinarily are in a better position than is the Board to determine questions of this kind, it has, in view of your request, considered the question whether the loan which has been requested by the Boulevard Plaza Company, on the basis of the facts as the Board understands them, is for the purpose of providing such company with 'working capital' within the meaning of section 13b of the Federal Reserve Act. In view of the fact that substantially all of the loan is for the purpose of refunding an existing indebtedness, and in view of the other facts of the case, the Board finds no reason to differ with the conclusion of the Federal Reserve Bank of San Francisco that such loan is not for the purpose of providing the company with working capital.

"It is the considered policy of the Federal reserve banks to approach questions of this kind arising under section 13b of the Federal Reserve Act with a liberal viewpoint and the Federal Reserve Board has also given this question a sympathetic consideration; but, as indicated, it is unable to reach the conclusion, in the circumstances of the case, that the loan is for the purpose of providing the company with 'working capital'. The question is not one in respect to which either the Federal Reserve Board or the Federal reserve banks have authority to exercise discretion and, in view of the requirement which Congress has prescribed in the

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"law, I am sure you will appreciate the position which it has been necessary for the reserve bank to take in the matter."

Approved.

Letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, inclosing the following Clayton Act permit; suggesting that, when transmitting the permit to the applicant, the agent advise him that it is with the expectation that he will satisfactorily attend directors' meetings of the Madera bank that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. Carl W. Fenninger, for permission to serve at the same time as a director of The Madera National Bank, Madera, Pennsylvania, and as an officer of the Provident Trust Company of Philadelphia, Philadelphia, Pennsylvania.

Approved.

Letter dated October 1, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"On July 23, 1934, the Board advised you that it had given consideration to the application of Mr. H. R. Riley, Plattsburg, Missouri, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of The First National Bank of Plattsburg, Plattsburg, Missouri, and as director and officer of the Bank of Osborn, Osborn, Missouri, and, upon the basis of the information before it, held that the issuance of the permit applied for would be incompatible with the public interest. The Board's action upon the application was based largely upon the switching of loans between the two banks and the nature and extent of the uses which have been made of the credit facilities of The First National Bank of Plattsburg and the Bank of Osborn as shown in the current reports of examination of these banks. Subsequently, in accordance with Section V(g) of Regulation L, additional facts and arguments not appearing in his application

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"and accompanying forms were submitted for the consideration of the Board.

"Based upon the additional facts and arguments presented and in accordance with your recommendation, the Board has approved the application of Mr. Riley and there are inclosed the original and copies of a Clayton Act permit covering his service as director and officer of The First National Bank of Plattsburg, Plattsburg, Missouri, and as director and officer of the Bank of Osborn, Osborn, Missouri, for transmittal by you to Mr. Riley and the two banks, and a copy for your files. The Board suggests that when you submit your recommendation as a result of your annual review of this permit, you report fully as to whether there have been any further criticisms of the operating practices and credit policies of the banks for which Mr. Riley may be responsible."

Approved.

Letter dated October 1, 1934, approved by three members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permit and requesting that he advise the applicant of the Board's position in the matter of 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 the applicant's attendance at directors' meetings and as to the manner in which he has discharged his duties as a director of The First National Bank of Post City:

Mr. W. E. Connell, for permission to serve at the same time as a director and officer of The First National Bank of Fort Worth, Fort Worth, Texas, and as a director of The First National Bank of Post City, Post City, Texas.

Approved.

Letters dated October 1, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, inclosing the following Clayton Act permits; suggesting in each case that the agent advise the applicant that it is with the

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expectation that he will satisfactorily attend directors' meetings that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. Gus S. Blankinship, for permission to serve at the same time as a director and officer of The First National Bank of Jacksonville, Jacksonville, Texas, and as a director of the First State Bank, Overton, Texas.

Mr. G. R. Strange, for permission to serve at the same time as a director and officer of The First State Bank, Riesel, Texas, and as a director of The Farmers and Merchants National Bank of Mart, Mart, Texas.

Approved.

Letters dated October 1, 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. Elwood A. Curtis, for permission to serve at the same time as a director of The Long Island National Bank of Hicksville, Hicksville, New York, and as a director of the Bank of Hicksville, Hicksville, New York.

Mr. William Duffy, for permission to serve at the same time as a director and officer of The Long Island National Bank of Hicksville, Hicksville, New York, and as a director of the Bank of Hicksville, Hicksville, New York.

Mr. Samuel S. Underhill, Jr., for permission to serve at the same time as a director of The Long Island National Bank of Hicksville, Hicksville, New York, and as a director of the Bank of Hicksville, Hicksville, New York.

Mr. Clarence T. Bryan, for permission to serve at the same time as a director and officer of the First National Bank at Albion, Albion, Pennsylvania, and as a director and officer of The Girard National Bank, Girard, Pennsylvania.

Mr. James Duffy, for permission to serve at the same time as a director and officer of The Guarantee State Bank, Mangum, Oklahoma,

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and as a director and officer of The First National Bank of Amherst, Amherst, Texas.

Mr. Walter Canter, for permission to serve at the same time as an employee of The First National Bank of St. Joseph, St. Joseph, Missouri, and as an employee of the First Trust Company, St. Joseph, Missouri.

Mr. J. J. McGuire, for permission to serve at the same time as an officer of The First National Bank of St. Joseph, St. Joseph, Missouri, and as an employee of the First Trust Company, St. Joseph, Missouri.

Mr. John W. Morey, for permission to serve at the same time as a director of The First National Bank of Denver, Denver, Colorado, and as a director and officer of The International Trust Company, Denver, Colorado.

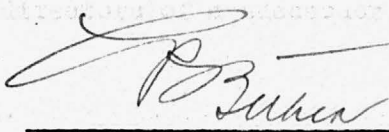
Approved.

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

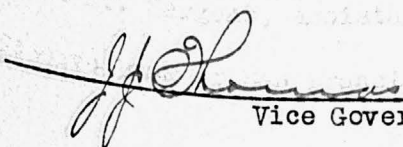
<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>
<u>District No. 9.</u>	
The First National Bank at Manistique, Manistique, Michigan	36 36

Approved.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Vice Governor.